

OSHC “BARQI TOJIK”

**Advisory Support for the Regional Trade Initiatives
Project Grant No. TF 016252**

Special Purpose Project Financial Statements
for the year ended December 31, 2016

and independent auditors’ report

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 3-5, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the special purpose project financial statements of "Advisory Support for the Regional Trade Initiatives Project" financed under Financing Agreements Grant No. TF 016252 (the "Project").

Management is responsible for the preparation of this special purpose project financial statements, cash proceeds and disbursements, uses of funds by project components for the year ended December 31, 2016 in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Accounting Standards Board of the International Federation of Accountants and the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines").

In preparing the special purpose project financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IPSAS and WB Guidelines have been followed, subject to any material departures disclosed and explained in the special purpose project financial statements; and
- preparing the special purpose project financial statements on a going concern basis, unless it is inappropriate to presume that the Project will continue its activity for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining effective and sound system of internal control and for revealing risks in system of internal control;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Project, and which enable them to ensure that the special purpose project financial statements of the Project comply with IPSAS and WB Guidelines;
- compliance with laws and regulations of the Republic of Tajikistan, accounting system of the Project and the requirements of the World Bank;
- taking such steps as are reasonably available to them to safeguard the assets of the Project; and
- detecting and preventing fraud and other irregularities.

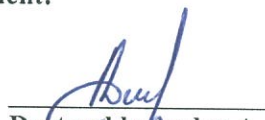
The special purpose project financial statements for the year ended December 31, 2016 were approved and authorized for issue on May 19, 2017 by the management of the Project.

On behalf of the Management:

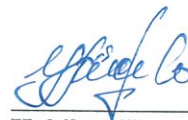


Ismoilzoda M.
Chairman

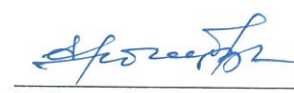
May 19, 2017
Dushanbe, Republic of Tajikistan



Dustmukhamedov A.
Chief Accountant



Habibov U.
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INDEPENDENT AUDITORS' REPORT

To the Management of "Advisory Support for the Regional Trade Initiatives Project":

Report on the special purpose project financial statements

Opinion

We have audited the accompanying special purpose project financial statements of "Advisory Support for the Regional Trade Initiatives Project", financed under Financing Agreements Grant No. TF 016252 (the "Project") which comprise the statement of cash proceeds and disbursements, the statement of uses of funds by project components for the year ended December 31, 2016 and a summary of significant accounting policies and other explanatory information (the "special purpose project financial statements").

In our opinion, the accompanying special purpose project financial statements are consistent, in all material respects, cash proceeds and disbursements, uses of funds by project components for the year ended December 31, 2016 in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, and the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Tajikistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the special purpose project financial statements which describe the basis of accounting. These special purpose project financial statements were prepared for complying with the appropriate World Bank Guidelines and Grant agreement requirements, and therefore are

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not intended to be a complete presentation of the “Advisory Support for the Regional Trade Initiatives Project (the “Project”) operations.

Other Matter

The special purpose project financial statements are prepared to assist the Project to comply with the requirements of the World Bank. As a result the special purpose project financial statements may not be suitable for another purpose.

Responsibilities of management and those charged with governance for the special purpose project financial statements

Management is responsible for the preparation and fair presentation of the special purpose project financial statements in accordance with International Public Sector Accounting Standard “Financial Reporting Under the Cash Basis of Accounting” (the “IPSAS”) issued by the International Public Accounting Standards Board of the International Federation of Accountants, and the World Bank’s Financial Management Sector Board’s “Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities” (the “WB Guidelines”), and for such internal control as management determines is necessary to enable the preparation of the special purpose project financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibilities for the audit of the special purpose project financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the special purpose project financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the special purpose project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project’s internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the special purpose project financial statements or, if such disclosures are inadequate, to modify our opinion. Our



conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the special purpose project financial statements, including the disclosures, and whether the special purpose project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Baker Tilly Klitou & Partners

Baker Tilly Klitou and Partners SRL



Bucharest, Romania
May 19, 2017


OPEN STOCK HOLDING COMPANY "BARQI TOJIK"
PROJECT IMPLEMENTATION UNIT
ADVISORY SUPPORT FOR THE REGIONAL TRADE INITIATIVES PROJECT GRANT
GRANT NO. TF 016252


STATEMENT OF CASH PROCEEDS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(in US Dollars)


	Notes	For the year ended December 31, 2016	Cumulative	For the period from July 29, 2014 to December 31, 2015	Cumulative
Opening balance		-	-	-	-
Funds received					
Grant No. TF 016252	4	204,757	402,697	197,940	197,940
OSHC "Barki Tojik" contribution	4	(47,722)	7,095	54,817	54,817
Total funds received		<u>157,035</u>	<u>409,792</u>	<u>252,757</u>	<u>252,757</u>
Project expenses					
Part 1. Technical Assistance	5	157,035	409,792	252,757	252,757
Part 2. Operating Expenses	5	-	-	-	-
Total project expenses		<u>157,035</u>	<u>409,792</u>	<u>252,757</u>	<u>252,757</u>
Closing balance		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

On behalf of the Management:


Ismoilzoda M.
Chairman


Dustmukhamedov A.
Chief Accountant


Habibov U.
Head of PIU


Safarov A.
Financial manager of
PIU

May 19, 2017

Dushanbe, Republic of Tajikistan

The notes on pages 8-12 form an integral part of the special purpose project financial statements. The Independent Auditors' Report is on pages 3-5

OPEN STOCK HOLDING COMPANY "BARQI TOJIK"
PROJECT IMPLEMENTATION UNIT
ADVISORY SUPPORT FOR THE REGIONAL TRADE INITIATIVES PROJECT GRANT
GRANT NO. TF 016252

STATEMENT OF FUNDS BY PROJECT COMPONENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

(in US Dollars)

	For the year ended December 31, 2016	Cumulative	For the period from July 29, 2014 to December 31, 2015	Cumulative
Part 1. Technical Assistance				
Advisory services	98,498	316,640	218,142	218,142
Assessment studies	-	-	-	-
Part 2. Operating Expenses				
Delegates to participate and develop regional energy trade initiatives	58,537	93,152	34,615	34,615
Incremental operating expenses of the PIU	-	-	-	-
	<u>157,035</u>	<u>409,792</u>	<u>252,757</u>	<u>252,757</u>

On behalf of the Management:

Ismoilzoda M.
Chairman

Dustmukhamedov A.
Chief Accountant

Habibov U.
Head of PIU

Safarov A.
Financial manager of
PIU

May 19, 2017

Dushanbe, Republic of Tajikistan

The notes on pages 8-12 form an integral part of the special purpose project financial statements. The Independent Auditors' Report is on pages 3-5

**OPEN STOCK HOLDING COMPANY “BARQI TOJIK”
PROJECT IMPLEMENTATION UNIT
ADVISORY SUPPORT FOR THE REGIONAL TRADE INITIATIVES PROJECT GRANT
GRANT NO. TF 016252**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

(in US Dollars)

1. GENERAL INFORMATION

According to the Agreement between the Republic of Tajikistan and International Bank for Reconstruction and Development / International Development Association (the “World Bank”) dated July 29, 2014, the World Bank provided a Grant No TF 016252 in the amount of 300,000 US Dollars to the Republic of Tajikistan. According to the Grant Agreement dated February 25, 2016 International Bank for Reconstruction and Development / International Development Association increased Grant No TF 016252 in the amount of 200,000 US Dollars (Note 8). After the increase, the total amount of the Grant is 500,000 US Dollars.

The Grant was provided for the “Advisory Support for the Regional Trade Initiatives Project” (the “Project”).

Project purpose

The objective of the Project is to facilitate the preparation of the CASA 1000 Project (Central Asia South Asia electricity transmission and trade project) as well as the Recipient’s other regional energy trade initiatives. The Project consists of the following parts:

Part 1: Technical Assistance

- a. Supporting the working Group with its groundwork on the CASA 1000 Project through the financing of advisory services from legal, commercial and other relevant experts.
- b. Carrying out assessment, studies, consultation with stakeholders and public outreach to facilitate the Recipient in undertaking inter and intra-regional energy trade initiatives.

Part 2: Operating Costs

- a. Financing: (1) the costs incurred by Recipient’s delegates to participate and develop regional energy trade initiatives, (2) the incremental operating expenses of the Project Implementing Entity.

Project management

The project is implemented by the Project Implementation Unit (the “PIU”) at the OSHC “Barqi Tojik”.

Contribution of OSHC “Barqi Tojik” to the Projects

OSHC “Barqi Tojik” contributes to the Project by performing direct payments, as well as providing funding sources, when granted funds are not readily available, which are subsequently reimbursed.

Duration of the Project is from July 29, 2014 to October 31, 2017.

2. PRESENTATION OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

Basis of preparation

These special purpose project financial statements have been prepared in accordance with the International Public Sector Accounting Standard (the “IPSAS”) “Financial Reporting under the Cash Basis of Accounting” issued by the Public Sector Committee of the International Federation of Accountants, and incorporate the following principal accounting policies, which have been consistently followed in all material respects and comply with the World Bank’s Financial Management Sector Board’s “Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities” (the “WB Guidelines”).

Under the cash basis system income (or expenditure) is recognized when cash is received (or paid) irrespective of when goods or services are received.

The Project’s approved budget disclosed by categories of expenses is not publicly available and as such comparison of budget and actual amounts is not presented.

These special purpose project financial statements consist of:

- Statement of cash proceeds and disbursements;
- Statement of uses of funds by project components;
- Notes to the special purpose project financial statements, including short description of main statements of accounting policy and other descriptive notes.

The reporting currency of these special purpose project financial statements is US Dollars (the “USD”).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash basis of accounting

Special purpose project financial statements are prepared on a cash basis of accounting. The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the entity. Special purpose project financial statements prepared under the cash basis provide readers with information about the sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date. The measurement focus in the special purpose project financial statements is balances of cash and changes therein.

Foreign currency

Operations in foreign currency initially are counted in functional currency by the official currency exchange rate settled by the National Bank of Tajikistan (the “NBT”) on a date of operation.

All payments made in local currency are translated into USD at the official exchange rate defined by National Bank of Tajikistan, at the date of transaction.

Monetary assets and liabilities expressed in foreign currency are converted to functional currency at official exchange rate on a date settled by the NBT.

All foreign exchange differences resulted from maturity or recounting are included in statement of cash proceeds and disbursements.

Non-monetary items are valued according to their historic cost in foreign currency, which are recalculated on rates of the initial operation date.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and due from banks, which can be converted to the corresponding amount of cash in the short term.

Taxes

In accordance with the subsidiary agreement between Ministry of Finance of the Republic of Tajikistan and OSHC “Barqi Tojik”, which is conducted for the Grant, the Project is exempted from value added tax and social tax payments. Calculation and payment of personal income tax and pension fund contributions from income of local staff and consultants is made in accordance with the requirements and rates of the Tax Code of the Republic of Tajikistan.

Project expenses

The expenses are recorded in the period when they were actually paid.

Sources of funds

The funds were provided by the World Bank to the Project through direct payment to the end supplier of goods and/or services, reimbursement of expenses and contribution of OSHC “Barqi Tojik”.

4. FUNDS RECEIVED

The funds received were presented by the following reimbursement methods:

	For the year ended December 31, 2016	Cumulative	For the period from July 29, 2014 to December 31, 2015	Cumulative
Financing method / sources of financing:				
<i>Grant No. TF 016252</i>				
Reimbursement of expenses	204,757	289,558	84,801	84,801
Direct payment	-	113,139	113,139	113,139
	<u>204,757</u>	<u>402,697</u>	<u>197,940</u>	<u>197,940</u>
<i>OSHC “Barki Tojik” contribution</i>				
Incurred expenses	157,035	211,852	54,817	54,817
Reimbursed to OSHC “Barki Tojik”	(204,757)	(204,757)	-	-
	<u>(47,722)</u>	<u>7,095</u>	<u>54,817</u>	<u>54,817</u>
	<u>157,035</u>	<u>409,792</u>	<u>252,757</u>	<u>252,757</u>

5. PROJECT EXPENDITURES

Project expenditures by components are presented in the statement of funds by project components. Project expenditures on major categories are presented in the statement of cash proceeds and disbursements. Breakdown of project expenses by nature is presented as follows:

	For the year ended December 31, 2016	Cumulative	For the period from July 29, 2014 to December 31, 2015	Cumulative
Business trips expenses	85,663	149,570	63,907	63,907
Payroll	71,372	142,744	71,372	71,372
Consulting services	-	113,139	113,139	113,139
Training	-	4,339	4,339	4,339
	<u>157,035</u>	<u>409,792</u>	<u>252,757</u>	<u>252,757</u>

6. FINANCIAL POSITION

Financial position as at December 31, 2016, and 2015 comprise of:

	December 31, 2016	December 31, 2015
ASSETS AND EXPENDITURES		
Cumulative project expenses	<u>409,792</u>	<u>252,757</u>
TOTAL ASSETS AND EXPENDITURES	<u>409,792</u>	<u>252,757</u>
FINANCING		
Grant No. TF 016252	402,697	197,940
OSHC "Barki Tojik" contribution	<u>7,095</u>	<u>54,817</u>
TOTAL FINANCING	<u>409,792</u>	<u>252,757</u>

7. WITHDRAWAL APPLICATIONS

Withdrawal applications for the year ended December 31, 2016 comprise:

Sources of financing	Application	Date	Reimbursement	Total
TF 016252				
	3	April 4, 2016	73,630	73,630
	4	September 26, 2016	75,301	75,301
	5	November 15, 2016	<u>55,826</u>	<u>55,826</u>
			<u>204,757</u>	<u>204,757</u>
OSHC "Barki Tojik"			-	(47,722)
			-	(47,722)
			<u>204,757</u>	<u>157,035</u>

8. UNDRAWN FUNDS

For the year ended December 31, 2016 undrawn funds are presented as follows:

	Grant No. TF 016252 US Dollars
Approved grant amount	500,000
Disbursed during the period from July 29, 2014 to December 31, 2016	<u>402,697</u>
Undrawn amount	<u><u>97,303</u></u>
	Grant No. TF 016252 US Dollars
Grant received as at January 1, 2016	197,940
Disbursed in 2016	<u>204,757</u>
Grant received as at December 31, 2016	<u><u>402,697</u></u>

9. COMMITMENTS

In the normal course of activities, the Project concludes agreements with suppliers of goods and services in accordance with the established budget and procurement plan. The contract value of obligations valid as at December 31, 2016 was as follows:

Counterparty	CCY	Cost per contract	Date of contract signing	Date of contract completion
Public Organization Republican Fund "Kuhiston"	USD	99,107	October 31, 2016	October 31, 2017

10. LEGAL CASES

There were no any legal claims related to the Project.

11. EVENTS AFTER THE REPORTING DATE

As at the date of issue of the special purpose project financial statements no significant events or transactions happened, which should be disclosed in the special purpose project financial statements, except for the events or transactions described above.