

OSHC "BARQI TOJIK"

**Preparation of Proposed Winter Energy Project
Advance No. IDA Q9800-TJ**

Special Purpose Project Financial Statements
for the period from July 31, 2015 to December 31, 2015

and independent auditors' report

OPEN STOCK HOLDING COMPANY "BARQI TOJIK"
PROJECT IMPLEMENTATION UNIT
PREPARATION OF PROPOSED WINTER ENERGY PROJECT
ADVANCE NO. IDA Q9800-TJ

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE PERIOD FROM JULY 31, 2015 TO DECEMBER 31, 2015

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 3-4, 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 "Preparation of Proposed Winter Energy Project", financed under Financing Agreements Advance No. IDA Q9800-TJ (the "Project").

Management is responsible for the preparation of this special purpose project financial statements, the financial position, cash proceeds and disbursements, uses of funds by project components, statement of applications for the period from July 31, 2015 to December 31, 2015 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 period from July 31, 2015 to December 31, 2015 were approved and authorized for issue on May 27, 2016 by the management of the Project.

On behalf of the Management:


Ismoilzoda M.
Chairman
May 27, 2016
Dushanbe, Republic of Tajikistan


Dustmukhamedov A.
Chief Accountant


Habibov U.
Head of PIU


Safarov A.
Financial manager of PIU



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INDEPENDENT AUDITORS' REPORT

To the Management of "Preparation of Proposed Winter Energy Project":

We have audited the accompanying special purpose project financial statements of "Preparation of Proposed Winter Energy Project", financed under Financing Agreements Advance No. IDA Q9800-TJ (the "Project") which comprise the statement of financial position, the statement of cash proceeds and disbursements, the statement of uses of funds by project components, the statement of applications for the period from July 31, 2015 to December 31, 2015, and a summary of significant accounting policies and other explanatory information (the "special purpose project financial statements").

Management's responsibility for the special purpose project financial statements

Management is responsible for the preparation of these 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.

Auditors' responsibility

Our responsibility is to express an opinion on these special purpose project financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose project financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose project financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the special purpose project financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the special purpose project financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose project financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Registered in Moldova (Reg. No. 1007600043180) List of directors can be found at the Company's registered Office.

An independent member of Baker Tilly International



Opinion

In our opinion, the accompanying special purpose project financial statements are consistent, in all material respects, financial position as at December 31, 2015 and cash proceeds and disbursements, uses of funds by project components and applications for the period from July 31, 2015 to December 31, 2015 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").

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 not intended to be a complete presentation of the "Preparation of Proposed Winter Energy Project" (the "Project") operations.

Other Matters

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. Our report is intended solely for use by the management of the Project and the World Bank, and should not be distributed or used by anyone other than these specified parties.

Baker Tilly Klitou and Partners

Baker Tilly Klitou and Partners SRL

Chisinau, R. Moldova

May 27, 2016

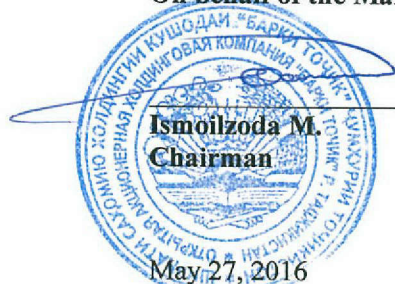


**OPEN STOCK HOLDING COMPANY "BARQI TOJIK"
PROJECT IMPLEMENTATION UNIT
PREPARATION OF PROPOSED WINTER ENERGY PROJECT
ADVANCE NO. IDA Q9800-TJ**

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015
(in US Dollars)**

	Notes	December 31, 2015
ASSETS AND EXPENDITURES		
Cumulative project expenditures	4	<u>1,442,074</u>
TOTAL ASSETS AND EXPENDITURES		<u><u>1,442,074</u></u>
CUMULATIVE FINANCING		
Advance received	5	1,342,372
OSHC "Barqi Tojik" contribution	5	<u>99,702</u>
TOTAL FINANCING		<u><u>1,442,074</u></u>

On behalf of the Management:



**Ismoilzoda M.
Chairman**

May 27, 2016

Dushanbe, Republic of Tajikistan

**Dustmukhamedov A.
Chief Accountant**

**Habibov U.
Head of PIU**

**Safarov A.
Financial manager of
PIU**

The notes on pages 9-12 form an integral part of the special purpose project financial statements. The Independent Auditors' Report is on pages 3-4

OPEN STOCK HOLDING COMPANY "BARQI TOJIK"
PROJECT IMPLEMENTATION UNIT
PREPARATION OF PROPOSED WINTER ENERGY PROJECT
ADVANCE NO. IDA Q9800-TJ

STATEMENT OF CASH PROCEEDS AND DISBURSEMENTS
FOR THE PERIOD FROM JULY 31, 2015 TO DECEMBER 31, 2015
(in US Dollars)

	Notes	From July 31, 2015 to December 31, 2015	Cumulative
Opening balance		-	-
Funding sources			
Advance No. IDA Q9800-TJ	5	1,342,372	1,342,372
OSHC "Barqi Tojik" contribution	5	99,702	99,702
Total financing		<u>1,442,074</u>	<u>1,442,074</u>
Project expenses			
Part 1. Goods, Works, Non-Consulting Services, Consultants' Services, Training and Incremental Operating Costs	4	1,442,074	1,442,074
Part 2. Unallocated	4	-	-
Total project expenses		<u>1,442,074</u>	<u>1,442,074</u>
Closing balance		-	-

On behalf of the Management:



Ismoilzoda M.
Chairman

May 27, 2016

Dushanbe, Republic of Tajikistan

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OPEN STOCK HOLDING COMPANY "BARQI TOJIK"
PROJECT IMPLEMENTATION UNIT
PREPARATION OF PROPOSED WINTER ENERGY PROJECT
ADVANCE NO. IDA Q9800-TJ

STATEMENT OF FUNDS BY PROJECT COMPONENTS
FOR THE PERIOD FROM JULY 31, 2015 TO DECEMBER 31, 2015
(in US Dollars)

	For the period from July 31, 2015 to December 31, 2015	Cumulative
Part 1. Goods, Works, Non-Consulting Services, Consultants' Services, Training and Incremental Operating Costs		
Goods	61,284	61,284
Works	143,238	143,238
Consultants' Services	1,235,933	1,235,933
Training	1,619	1,619
Part 2. Unallocated		
Unallocated	-	-
	<u>1,442,074</u>	<u>1,442,074</u>

On behalf of the Management:

Ismoilzoda M.
Chairman

May 27, 2016

Dushanbe, Republic of Tajikistan

Dustmukhamedov A.
Chief Accountant

Habibov U.
Head of PIU

Safarov A.
Financial manager of PIU

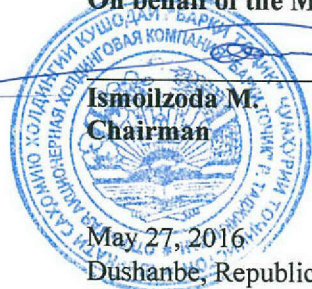
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OPEN STOCK HOLDING COMPANY "BARQI TOJIK"
PROJECT IMPLEMENTATION UNIT
PREPARATION OF PROPOSED WINTER ENERGY PROJECT
ADVANCE NO. IDA Q9800-TJ

STATEMENT OF APPLICATIONS
FOR THE PERIOD FROM JULY 31, 2015 TO DECEMBER 31, 2015
(in US Dollars)

Sources of financing	Applications	Date	Direct payment	Total
Q 9800- TJ	1	October 14, 2015	143,238	143,238
Q 9800- TJ	2	October 20, 2015	772,920	772,920
Q 9800- TJ	3	October 20, 2015	136,306	136,306
Q 9800- TJ	4	October 26, 2015	289,908	289,908
OSHC "Barqi Tojik" contribution			-	99,702
			<u>1,342,372</u>	<u>1,442,074</u>

On behalf of the Management:



Ismoilzoda M.
Chairman

May 27, 2016

Dushanbe, Republic of Tajikistan


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OPEN STOCK HOLDING COMPANY "BARQI TOJIK"
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PREPARATION OF PROPOSED WINTER ENERGY PROJECT
ADVANCE NO. IDA Q9800-TJ

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD FROM JULY 31, 2015 TO DECEMBER 31, 2015

(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 31, 2015, the World Bank provided an Advance No. IDA Q9800-TJ in the amount of 5,000,000 US Dollars to the Republic of Tajikistan.

The Advance was provided for the "Preparation of Proposed Winter Energy Project" (the "Project").

The objective of the Activities is to facilitate the preparation of the proposed Winter Energy Project which aims to mitigate energy deprivation by improving access to affordable energy of the Tajik population in the wintertime in support of which the Recipient has requested the Association's financial assistance.

Project purpose

The Activities for which the Advance is provided consist of the following:

Preparation of the Nurek Hydropower Plant (the "Nurek HPP") rehabilitation and dam safety study; preparation of the Nurek HPP sedimentation study and additional studies related to Nurek HPP; preparation of the studies related to winter energy measures; installation of electricity meters in Dushanbe; provision of technical assistance to OSHC "Barqi Tojik" on a Financial Management Improvement Program, including evaluation of OSHC "Barqi Tojik" payables and receivables and installation of IC accounting software; provision of technical assistance to OSHC "Barqi Tojik" related to a commercial management system; preparation of tender documents for the first year of WEP implementation; assistance with OSHC "Barqi Tojik" and Project Preparation Advance audits for 2015 and 2016; and Training.

Project management

The project is implemented by the Project Implementation Unit 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 31, 2015 to June 30, 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 financial position;
- Statement of cash proceeds and disbursements;
- Statement of uses of funds by project components;
- Statement of applications;
- 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 Project, 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. 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 period from July 31, 2015 to December 31, 2015
Consulting services	1,216,749
Works	143,238
Expenses for accounting software	61,284
Payroll and related taxes	19,185
Training	1,618
	<u>1,442,074</u>

5. FUNDS RECEIVED

The funds received were presented by the following reimbursement methods:

	For the period from July 31, 2015 to December 31, 2015
Financing method / sources of financing:	
<i>Advance No. IDA Q9800-TJ</i>	
Direct payment	1,342,372
<i>OSHC "Barqi Tojik" contribution</i>	
Incurred expenses	99,702
	<u>1,442,074</u>

6. 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, 2015 was as follows:

Counterparty	Cost per contract	Date of contract signing	Date of contract completion
HR Wallingford	1,523,423	November 13, 2014	April 30, 2016
Tractebel Engineering	927,057	August 21, 2014	July 31, 2016
LLC "BDO Chance"	85,069	August 24, 2015	January 31, 2017
Irmatov Daler	734	August 20, 2015	August 20, 2016
Safarov Abdurahim	734	August 20, 2015	August 20, 2016

7. LEGAL CASES

There were no any legal claims related to the Project.

8. EVENTS AFTER THE REPORTING DATE

From January 1, 2016 until the date of issue of these special purpose project financial statements the World Bank has contributed to the Project as follows:

Sources of financing	Applications	Date	Type	Amount
Advance No. Q 9800- TJ	5	January 19, 2016	Direct	288,157
Advance No. Q 9800- TJ	6	February 24, 2016	Direct	309,168
Advance No. Q 9800- TJ	7	April 21, 2016	Direct	132,168
Advance No. Q 9800- TJ	8	April 29, 2016	Direct	280,380
Advance No. Q 9800- TJ	9	May 24, 2016	Reimbursement	38,544
Advance No. Q 9800- TJ	10	May 26, 2016	Reimbursement	92,389
				<u>1,140,806</u>

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