

Audited Project Financial Statements

Project Number: 47017-003
Loan/Grant Number: Grant 0417 - TAJ
Period covered: 1 January 2016 to 31 December 2016

TAJ: Wholesale Metering and Transmission Reinforcement Project

Prepared by: State Establishment "Project Management Unit for Electroenergy Sector"

For the Asian Development Bank
Date received by ADB: 5 September 2017

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy 2011 and as agreed between ADB and the Open Stock Holding Company Barki Tojik

Asian Development Bank
Grant 0417-TAJ (SF)
Wholesale Metering and Transmission Reinforcement Project
Special purpose Financial Statements
31 December 2016

Project Special Purpose Financial Statements and

Independent Auditor's Report

Asian Development Bank

Grant 0417-TAJ(SF)

Wholesale Metering and Transmission Reinforcement Project

31 December 2016



Independent auditors' report

To the State Committee on Investments and State Property Management of the Republic of Tajikistan

We have audited the accompanying special purpose financial statements of Wholesale Metering and Transmission Reinforcement Project (the "Project") financed by the Asian Development Bank (the "ADB") Grant Agreement ADB 0417-TAJ(SF), which comprise the statement of Project sources and uses of funds and the statement of uses of funds by Project activity as at and for the year ended 31 December 2016, a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management of the Project Management Unit for Electro energy Sector State Establishment (the "PMU") is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the International Public Sector Accounting Standard ("IPSAS") Financial Reporting Under the Cash Basis of Accounting issued by the International Public Sector Accounting Standards Board (the IPSASB) of the International Federation of Accountants (IFAC), the ADB guidelines and the relevant covenants specified in the Grant Agreement 0417-TAJ(SF) dated 27 January 2015 executed between the Republic of Tajikistan and Asian Development Bank (the "ADB") and for such internal control as management determines is necessary to enable the preparation of 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 financial statements of the Project based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the statement of Project sources and uses of funds present fairly, in all material respects the cash and bank balances of the Project as at 31 December 2016 and the funds received and expenses incurred for the period then ended in accordance with the IPSAS *Financial Reporting Under the Cash Basis of Accounting*, the ADB Guidelines and the Grant Agreement 0417-TAJ(SF) dated 27 January 2015 executed between the Republic of Tajikistan and Asian Development Bank (the "ADB").

We also report that:

- in our opinion the funds were utilized for the purposes described in the Financing Agreements and agreed Project's annual work plans;
- no imprest account is maintained by the Project as all payments are directly made by the Asian Development Bank (the "ADB") to the concerned supplier/contractor;
- all payments are directly made by the Asian Development Bank (the "ADB") to the concerned supplier/contractor and hence Statement of Expenditure (SOE) process is not applicable to the Project;
- the procurement of goods, services and civil works have been made in accordance with the Financing Agreements and ADB's procurement regulations; and
- certain covenants specified in the Grant Agreement 0417-TAJ(SF) are directly related to the executing agency Barki Tajik and external to the Project, accordingly we could not able to independently check the compliance of those covenants.



M. Munjurul Hassan, FCA
Partner and Team Leader



Sabbir Ahmed, FCA
Partner and Joint Team Leader

Dushanbe, 30 June 2017

Asian Development Bank
Grant 0417-TAJ (SF)
Wholesale Metering and Transmission Reinforcement Project
Special purpose Financial Statements
31 December 2016

In USD	Note	Actual		Budget		Variance	
		For the year ended 31 December 2016	Cumulative as at 31 December 2016	For the year ended 31 December 2016	Cumulative as at 31 December 2016	For the year ended 31 December 2016	Cumulative as at 31 December 2016
Cash and bank balances as of 1 January 2016	5	11,589					
Add: Financing							
ADB Grant 0417 – TAJ (SF)	6.1	7,670,241	8,529,809				
Total Financing		7,670,241	8,529,809				
Other proceeds	6.2	2,964	21,948				
Total financing and other proceeds		7,673,205	8,551,757				
Less: Uses of funds							
ADB Grant 0417 – TAJ (SF)	7	7,670,241	8,529,809	9,687,000	10,546,568	2,016,759	2,016,759
Total Project expenses		7,670,241	8,529,809	9,687,000	10,546,568	2,016,759	2,016,759
Other expenses		2,750	9,128				
Exchange rate difference		-	1,016				
Total Project and other expenses		7,672,991	8,539,954				
Cash and bank balances as of 31 December 2016	5	11,803					

The annexed notes 1 to 9 form an integral part of these special purpose financial statements.

Nazarzoda N
PMU Director

Sulaymonova Z.
Chief Accountant



Statement of uses of funds by Project activity

As of and for the year ended 31 December 2016

	Actual		Budget		Variance	
	For the year ended 31 December 2016	Cumulative as at 31 December 2016	For the year ended 31 December 2016	Cumulative as at 31 December 2016	For the year ended 31 December 2016	Cumulative as at 31 December 2016
<i>In USD</i>						
Installation of approximately 1,100 wholesale meters and a settlement system for the power transmission system in the territory of the Recipient, including approximately 1,100 current transformers and 700 voltage transformers	5,547,611	5,547,611	4,592,000	4,592,000	(955,611)	(955,611)
Construction of a single circuit 220 kilovolt transmission line (approximately 95 kilometers) interconnecting the Rudaki and Ayni substations in the territory of the Recipient	1,668,954	1,668,954	3,507,000	3,507,000	1,838,046	1,838,046
Support for project implementation, including consulting services for supervision, procurement, project monitoring and evaluation	453,676	1,313,244	1,588,000	2,447,568	1,134,324	1,134,324
Total	7,670,241	8,529,809	9,687,000	10,546,568	2,016,759	2,016,759

The annexed notes 1 to 9 form an integral part of these special purpose financial statements



Nazarzoda N
PMU Director



Sulaymonova Z
Chief Accountant



Notes to the Special purpose financial statements

1 General Information

Wholesale Metering and Transmission Reinforcement Project (the "Project") is implemented in accordance with the Agreement on financing of Grant 0417-TAJ(SF) dated 27 January 2015 executed between the Republic of Tajikistan and Asian Development Bank (the "ADB").

The Project shall comprise the following activities:

(a) the installation of approximately 1,100 wholesale meters and a settlement system for the power transmission system in the territory of the Recipient, including approximately 1,100 current transformers and 700 voltage transformers;

(b) the construction of a single circuit 220 kilovolt transmission line (approximately 95 kilometers) interconnecting the Rudaki and Ayni substations in the territory of the Recipient; and

(c) support for Project implementation, including supervision, procurement, and project monitoring and evaluation.

The Project is expected to be completed by 31 October 2019.

The following categories of expenses can be paid at the expenses of ADB Grant exclusively for the purpose of implementation of indicated types of activities (considering the re-allocation):

Sl #	Category	Allocated Grant	ADB's Percentage
		Amount	of financing
		USD	%
1	Plant Design, Supply and Installation Works	40,500,000	100%
2	Consulting services	4,300,000	100%
3	Unallocated/Contingencies	9,200,000	100%
Total		54,000,000	

In addition, as par the financing plan included in the RRP, Government of Tajikistan through Barki Tajik has also agreed to finance USD 13 million towards the Project. This financing shall be primarily non-cash in nature i.e. to compensate for VAT in relation to any supplies for the Project.

The executive agency of the Project is the "Barki Tajik" State Joint Stock Holding Company, which is responsible for general implementation and coordination of the Project.

"Project Management Unit for Electroenergy Sector" State Establishment (the "PMU") was founded to ensure efficient use of ADB funds and timely implementation of the Grant Agreement 0417-TAJ(SF) in accordance with the Decree of the Government of the Republic of Tajikistan (No 283 dated 30 June 2006).

No staff has been specifically recruited by the PMU for this Project.

The special purpose financial statements of the Project have been approved on 30 June 2017 by the PMU Director and the Chief Accountant.

2. Significant Accounting policies

Basis of preparation

The special purpose financial statements of the Project have been prepared in accordance with IPSAS *Financial Reporting Under the Cash Basis of Accounting* and comply with the Asian Development Bank Guidelines (“Project Financial Management and Analysis”) and the covenants of the Grant Agreement 0417 – TAJ (SF). These special purpose financial statements reflect the data for the year ended 31 December 2016, as well as cumulative data from the beginning of the Project until 31 December 2016.

Under this basis of accounting, financing is recognized when received rather than when earned and expenses are recognized when paid rather than when incurred. Expenses are resources directed for the payment of works, goods and services, recognized in the financial statements in the period when they are paid.

Financing

Disbursement procedures consist of four major types, described briefly as the

- direct payment procedure where the ADB, at the borrower’s request, pays a designated beneficiary;
- commitment procedure where the ADB, at the borrower’s request, provides an irrevocable undertaking to reimburse a commercial bank for payments made or to be made to a supplier against the letter of credit financed from the loan account;
- reimbursement procedure where the ADB pays from the account to the borrower’s account or, in some cases, to the project account for eligible expenditures which have been incurred and paid for by the Project out of its budget allocation on its own resources, and
- imprest fund procedure where the ADB makes an advance disbursement from the grant account for deposit to an imprest account to be used exclusively of ADB’s share of eligible expenditures.

Financing through the direct payments and commitment procedure is recognized when approved by the ADB. The financing through reimbursement and imprest fund procedures is recognized when the funds are actually received.

The amounts of Government financing are recognized as such and included in the special purpose financial statements when the funds are transmitted to the Project Current account (the “Government financing account”).

Expenses

Consistent with the cash basis of accounting, the Project expenses are recognized and included in the special purpose financial statements when the payment is actually made to suppliers of goods, works and/or services as opposed to when goods are received/ services are rendered.

Functional and presentation currency

Somoni is the national currency of the Republic of Tajikistan. The special purpose financial statements of the Project are presented in USD (presentation currency) and rounded to the nearest integer of USD.

Income and expenses denominated in Somoni are converted into USD applying the exchange rate set out by the National Bank of Tajikistan on the date of the transaction.

Account balances denominated in Somoni are converted into USD applying the exchange rate set out by the National Bank of Tajikistan at the reporting date. As of 31 December 2016 the exchange rate is 7.8762 Somoni for 1 USD (2015: 6.9902: 1 USD).

3. Taxation

According to the Grant Agreement, the grant amount should not be used to pay any taxes and duties.

In accordance with the Republic of Tajikistan Government decree No. 497 dated 1 November 2006, the Project is exempted from the value added tax payment.

The PMU pays the social tax to the Social Fund of Tajikistan at the rate of 25% from wages out of the funds provided by the Government for its employees. The PMU also deduct from the payment of salaries for the locally hired employees individual income taxes and social contributions in accordance with the requirements and rates stated by the Tax Code of the Republic of Tajikistan.

4. Fixed Assets

Fixed assets of the project include office equipment, vehicles and furniture procured for project implementation. Cost of fixed assets includes the cost of procurement and other related expenditures.

Due to the cash basis of accounting, the fixed assets procured under the Project are measured on the basis of cost of procurement and reflected in the special purpose financial statement as expenditures instead of capitalization in balance sheet. The record of fixed assets is maintained in inventory register.

Considering non-commercial status of the project and cash basis of accounting, depreciation for the fixed assets is not accrued. However, since starting of the Project no fixed assets have been purchased yet.

5. Cash and Bank Balances

This amount represents cash received against the sale of tender schedule during the year ended 31 December 2016, which has been kept in the consolidated bank account of the Project Management Unit as the Project does not have a separate bank account.

	As at 31 December 2016		As at 31 December 2015	
	In USD	In Somoni	In USD	In Somoni
Tender Accounts	11,803	92,963	11,589	81,008
Total	11,803	92,963	11,589	81,008

6. Financing

6.1 ADB Financing

	For the year ended 31 December 2016	Cumulative as at 31 December 2016
	<u>USD</u>	<u>USD</u>
ADB Grant 0417 – TAJ (SF)		
Direct payments	7,670,241	8,529,809
Total	7,670,241	8,529,809

The summary of ADB grant financed through withdrawal applications during the year is presented in the following table:

Withdrawn Application Number	For the year ended 31 December 2015
Consulting services	
A0002	4,592,599
A0003	135,016
A0004	162,799
A0005	1,668,954
A0006	155,861
A0007	955,011
Total	7,670,241

6.2 Other Proceeds

This represents the sale of tender documents for project implementation during the year.

7. Use of Funds

Categories	Actual		Budget		Variance	
	For the year	As at 31 December 2016	For the year	As at 31 December 2016	For the year	As at 31 December 2016
All in USD						
Plant Design, Supply and Installation Works	7,216,565	7,216,565	8,099,000	8,099,000	882,435	882,435
Consulting Services	453,676	1,313,244	1,588,000	2,447,568	1,134,324	1,134,324
Unallocated	-	-	-	-	-	-
Total	7,670,241	8,529,809	9,687,000	10,546,568	2,016,759	2,016,759

8. Reconciliation between the amounts withdrawn application made and direct disbursed by the ADB for the year ended 31 December 2016

Categories	Application #	ADB	PMU	Difference
		<u>USD</u>	<u>USD</u>	<u>USD</u>
Plant Design, Supply and Installation Works				
	A002	4,592,599	4,592,599	-
	A005	1,668,954	1,668,954	-
	A007	955,011	955,011	-
Sub Total		7,216,565	7,216,565	-
Consulting Services				
	A0003	135,016	135,016	-
	A0004	162,799	162,799	-
	A0006	155,861	155,861	-
Sub Total		453,677	453,677	-
Total		7,670,241	7,670,241	-

9. Project Implementation

As of 31 December 2016, 16% of the Project has been implemented in the framework of the Grant Agreement. The Project expenses by categories (in percentage) are presented in the table below:

Categories	Expenses as at 31 December 2016	Budget as at 31 December 2016	Budgeted expenses as at 31 December 2016	Total Project Budget	Project Implementation as at 31 December 2016
	<u>USD</u>	<u>USD</u>	In %	<u>USD</u>	In %
Plant Design, Supply and Installation Works	7,216,565	8,099,000	89%	40,500,000	18%
Consulting Services	1,313,244	2,447,568	54%	4,300,000	31%
Unallocated	-	-	0%	9,200,000	0%
Total	8,529,809	10,546,568	81%	54,000,000	16%