

Audited Project Financial Statements

Project Number: 47017-003

Grant Number: 0417

Period covered: 1 January 2020 to 31 December 2020

Tajikistan: 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: 30 June 2021

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 Access to Information Policy and as agreed between ADB and the Open Stock Holding Company "Barqi Tojik".

**“Wholesale Metering and Transmission
Reinforcement Project”
Grant No. 0417-TAJ (SF)**

The project financial statements
for the year ended December 31, 2020

and independent auditor’s report

"WHOLESALE METERING AND TRANSMISSION REINFORCEMENT PROJECT"
GRANT NO. 0417-TAJ (SF)

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"WHOLESALE METERING AND TRANSMISSION REINFORCEMENT PROJECT"
GRANT NO. 0417-TAJ (SF)

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF
THE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

The following statement, which should be read in conjunction with the independent auditor's responsibilities is made with a view to distinguish the respective responsibilities of management and those of the independent auditor in relation to the project financial statements of the Project "Wholesale Metering and Transmission Reinforcement Project", Grant No. 0417-TAJ (SF) (the "Project").

Management of the Project is responsible for the preparation of the project financial statements that present fairly, in all material respects, the statement of sources and uses of funds, the statement of balance sheet, the statement of expenditures and withdrawal schedule and the statement of imprest account for the year ended December 31, 2020 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 "Guidelines for the Financial Governance and Management of Investment Projects Financed by the Asian Development Bank" (the "ADB Guidelines").

In preparing the 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 ADB Guidelines have been followed, subject to any material departures disclosed and explained in the project financial statements; and
- preparing the project financial statements on the assumption that the Project will be implemented in accordance with the established period.

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 project financial statements of the Project comply with IPSAS and ADB Guidelines;
- compliance with laws and regulations of the Republic of Tajikistan, accounting system of the Project and the requirements of the Asian Development 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 project financial statements for the year ended December 31, 2020 were approved and authorized for issue on June 7, 2021 by the management of the Project.

On behalf of the management of the Project:


Asrorzoda N. S.
Director of PMUES

June 7, 2021
Dushanbe, the Republic of Tajikistan


Abdusattorov Kh. Kh.
Chief Accountant of PMUES

June 7, 2021
Dushanbe, the Republic of Tajikistan

INDEPENDENT AUDITOR'S REPORT

To the management of the Project "Wholesale Metering and Transmission Reinforcement Project" under the State establishment "Project management unit for electro-energy sector", and the State Committee on Investments and Government Property Management of the Republic of Tajikistan:

Report on the project financial statements

Opinion

We have audited the project financial statements of the Project "Wholesale Metering and Transmission Reinforcement Project" (the "Project"), which comprise the statement of sources and uses of funds, the statement of balance sheet, the statement of expenditures and withdrawal schedule and the statement of imprest account for the year ended December 31, 2020 and a summary of significant accounting policies and other explanatory information (the "project financial statements").

In our opinion, the accompanying project financial statements present fairly, in all material respects, the statement of sources and uses of funds, the statement of balance sheet, statement of expenditures and withdrawal schedule and statement of imprest account of the Project for the year ended December 31, 2020 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 "Guidelines for the Financial Governance and Management of Investment Projects Financed by the Asian Development Bank" (the "ADB Guidelines").

All proceeds of the grant withdrawn from the Asian Development Bank have been utilized only for purposes of the Project in accordance with the Grant Agreement and no proceeds of the grant have been utilized for other purposes.

In addition:

- (i) (a) With respect to the statement of expenditure and withdrawal schedule, adequate supporting documentation has been maintained to support claims to the Asian Development Bank for reimbursements of expenditures incurred; and (b) which expenditures are eligible for financing under the Grant Agreement No. 0417-TAJ (SF).

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 project 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 project financial statements, 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 project financial statements, which describes the basis of accounting. These project financial statements were prepared for complying with the requirements of the Asian Development Bank and Grant agreement. These circumstances do not lead to modification of the auditor's opinion.

Other matter

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

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

Management is responsible for the preparation and fair presentation of the 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 Guidelines for the Financial Governance and Management of Investment Projects Financed by the Asian Development Bank (the "ADB Guidelines") and for such internal control as management determines is necessary to enable the preparation of the project financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the project financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 project financial statements, including the disclosures, and whether the 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.

Baker Tilly Tajikistan LLC

June 7, 2021

Dushanbe, the Republic of Tajikistan

Baker Tilly



**“WHOLESALE METERING AND TRANSMISSION REINFORCEMENT PROJECT”
GRANT NO. 0417-TAJ (SF)**

**STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

(in US dollars)

	Notes	For the year ended December 31, 2020	Actual For the year ended December 31, 2019	Cumulative December 31, 2020	For the year ended December 31, 2020	Budget For the year ended December 31, 2019	Cumulative December 31, 2019	For the year ended December 31, 2020	Variances For the year ended December 31, 2019	Cumulative
Opening balance	4	-	11,803	-	-	-	-	-	-	-
Funds received	5	2,052,968	4,727,011	39,961,723	-	-	-	-	-	-
Total funds received		2,052,968	4,727,011	39,961,723	-	-	-	-	-	-
Other income		-	-	21,948	-	-	-	-	-	-
Total receipts		2,052,968	4,727,011	39,983,671	-	-	-	-	-	-
Project expenses										
Plant design, supply and installation works	6	1,392,416	3,387,481	33,564,587	1,414,610	7,135,000	37,334,610	(22,194)	(3,747,519)	3,770,023
Consulting services	6	660,552	1,339,530	6,397,136	462,660	671,000	5,560,660	197,892	668,530	(836,476)
Total Project expenses		2,052,968	4,727,011	39,961,723	1,877,270	7,806,000	42,895,270	175,698	(3,078,989)	2,933,547
Foreign exchange loss		-	-	1,017	-	-	-	-	-	-
Other expenses		-	11,803	20,931	-	-	-	-	-	-
Closing balance	4	-	-	-	-	-	-	-	-	-

On behalf of the management of the Project:


Asrorzoda N. S.
Director of PMUES
June 7, 2021
Dushanbe, the Republic of Tajikistan


Abdusattorov Kh. Kh.
Chief Accountant of PMUES
June 7, 2021
Dushanbe, the Republic of Tajikistan

The notes on pages 9-12 form an integral part of the project financial statements. The independent auditor's report is on pages 3-4.

**“WHOLESALE METERING AND TRANSMISSION REINFORCEMENT PROJECT”
GRANT NO. 0417-TAJ (SF)**

**STATEMENT OF BALANCE SHEET
AS AT DECEMBER 31, 2020
(in US dollars)**

	December 31, 2020	December 31, 2019
ASSETS AND EXPENSES		
Cumulative expenses	39,961,723	37,908,755
Foreign exchange loss	1,017	1,017
Other expenses	20,931	20,931
TOTAL ASSETS AND EXPENSES	39,983,671	37,930,703
FINANCING		
Funds received	39,961,723	37,908,755
Other income	21,948	21,948
TOTAL FINANCING	39,983,671	37,930,703

On behalf of the management of the Project:

Asrorzoda N. S.
Director of PMUES

June 7, 2021
Dushanbe, the Republic of Tajikistan

Abdusattorov Kh. Kh.
Chief Accountant of PMUES

June 7, 2021
Dushanbe, the Republic of Tajikistan

The notes on pages 9-12 form an integral part of the project financial statements. The independent auditor's report is on pages 3-4.

**“WHOLESALE METERING AND TRANSMISSION REINFORCEMENT PROJECT”
GRANT NO. 0417-TAJ (SF)**

**STATEMENT OF EXPENDITURES AND WITHDRAWAL SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2020
(in US dollars)**

Application	Value date	Direct payments	Total
A0047	February 14, 2020	49,883	49,883
A0048	February 14, 2020	265,322	265,322
A0049	March 28, 2020	160,441	160,441
A0050A	June 19, 2020	190,092	190,092
A0051	August 31, 2020	123,905	123,905
A0052	September 18, 2020	899,362	899,362
A0053	November 25, 2020	81,233	81,233
A0054	November 25, 2020	282,730	282,730
		<u>2,052,968</u>	<u>2,052,968</u>

On behalf of the management of the Project:

Asrorzoda N. S.
Director of PMUES

June 7, 2021
Dushanbe, the Republic of Tajikistan

Abdusattorov Kh. Kh.
Chief Accountant of PMUES

June 7, 2021
Dushanbe, the Republic of Tajikistan

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**“WHOLESALE METERING AND TRANSMISSION REINFORCEMENT PROJECT”
GRANT NO. 0417-TAJ (SF)**

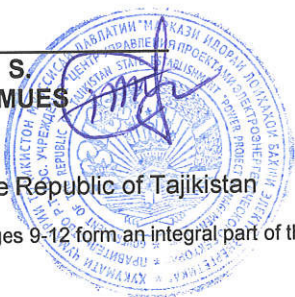
**STATEMENT OF IMPREST ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2020
(in US dollars)**

As at December 31, 2020 the Project did not have the imprest account.

On behalf of the management of the Project:

**Asrorzoda N. S.
Director of PMUES**

June 7, 2021
Dushanbe, the Republic of Tajikistan



A handwritten signature in blue ink, appearing to be "Kh. Kh. Abdusattorov".

**Abdusattorov Kh. Kh.
Chief Accountant of PMUES**

June 7, 2021
Dushanbe, the Republic of Tajikistan

The notes on pages 9-12 form an integral part of the project financial statements. The independent auditor's report is on pages 3-4.

**“WHOLESALE METERING AND TRANSMISSION REINFORCEMENT PROJECT”
GRANT NO. 0417-TAJ (SF)**

**NOTES TO THE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(in US dollars)**

1. GENERAL INFORMATION

According to the Grant Agreement between the Republic of Tajikistan and the Asian Development Bank (the “ADB”) dated January 27, 2015, ADB provided the Grant No. 0417-TAJ (SF) in the amount of 54,000,000 US dollars.

However, according to amendment to Agreement signed March 31, 2020 the ADB provided extension of the Project till March 31, 2022 and the reallocation of 6,500,000 US dollars grand funds from unallocated category to plant design, supply and installation works and consulting services categories.

The Grant was provided for implementation of the Project “Wholesale Metering and Transmission Reinforcement project” (the “Project”).

Project purpose

The objective of the Project “Wholesale Metering and Transmission Reinforcement project” is to expand and meter the power transmission network in the territory of the Republic of Tajikistan.

The Project comprises the following activities:

- (a) The installation of approximately 1100 wholesale meters and a settlement system for the power transmission system in the territory of the Republic of Tajikistan, including approximately 1,100 current transformers and 700 voltage transformers;
- (b) The construction of the single circuit of 220 kilovolt transmission line (approximately 95 km) interconnecting the Rudaki and Ayni substations in the territory of the Republic of Tajikistan;
- (c) Support for (i) Project implementation, including supervision, procurement, and project monitoring and evaluation, (ii) preparation of a study on power system management and relay protection system.

Allocations and withdrawals of Grant proceeds

Number	Item	Allocated amount US dollars	Basis for withdrawal for grant account
1	Plant design, supply, and installation works	40,500,000	100% of total expenditures claimed
2	Consulting service	6,500,000	100% of total expenditures claimed
3	Unallocated	7,000,000	
		<u>54,000,000</u>	

Project management

The Project is implemented by the State establishment “Project management unit for electro-energy sector” (the “PMUES”).

Duration of the Project is January 27, 2015 to March 31, 2022.

2. PRESENTATION OF THE PROJECT FINANCIAL STATEMENTS

Basis of preparation

These 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 “Guidelines for the Financial Governance and Management of Investment Projects Financed by the Asian Development Bank” (the “ADB 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 or provided.

These project financial statements consist of:

- Statement of sources and uses of funds;
- Statement of balance sheet;
- Statement of expenditures and withdrawal schedule;
- Statement of imprest account;
- Notes to the project financial statements, including short description of main statements of accounting policy and other descriptive notes.

The reporting currency of these project financial statements is US dollars (the "USD").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash basis of accounting

The 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 Project. The project financial statements prepared under the cash basis provide information on the sources of funds, the purpose of uses of funds, and cash balances at the reporting date. The measurement focus in the project financial statements is balances of cash and changes therein.

Foreign currency

Operations in foreign currency initially are accounted in functional currency using 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 US dollars at the official exchange rate defined by the NBT, 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 National bank of Tajikistan.

All foreign exchange differences resulted from maturity or recalculation are included in the statement of sources and uses of funds.

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

Calculation and payment of personal income tax and social security 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 and relevant legislation of the Republic of Tajikistan. The Project is exempt from non-residence tax.

Expenses

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

Sources of funds

The funds were provided by the Asian Development Bank to the Project by direct payment.

4. FUNDS RECEIVED

The funds received are presented by the following financing methods:

	For the year ended December 31, 2020	For the year ended December 31, 2019	Cumulative
Direct payment	2,052,968	4,727,011	39,961,723
	<u>2,052,968</u>	<u>4,727,011</u>	<u>39,961,723</u>

5. PROJECT EXPENSES

Breakdown of expenses by category and suppliers is presented as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019	Cumulative
Plant design, supply and installation works			
<i>TBEA & Huawei JV Consortium</i>	1,342,533	3,057,498	8,173,054
<i>TBEA Company Limited</i>	49,883	329,983	25,391,533
	<u>1,392,416</u>	<u>3,387,481</u>	<u>33,564,587</u>
Consulting services			
<i>AF Mercados Energy Markets International S.A</i>	660,552	1,339,530	6,397,136
	<u>660,552</u>	<u>1,339,530</u>	<u>6,397,136</u>
	<u>2,052,968</u>	<u>4,727,011</u>	<u>39,961,723</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.

Contracts in force as at December 31, 2020 was as follows:

Suppliers	Contract No.	Currency	Contract value	Paid up to December 31, 2020	Remaining amount to be paid
TBEA & Huawei JV Consortium	G16205	USD	11,045,764	8,173,053	2,872,711
TBEA Company Limited	G14486	USD	25,391,532	25,391,532	-
AF Mercados Energy Markets International S.A	G13918	USD	6,850,255	6,397,137	453,118
Consort. JSC "Tojikgidroelectromontaj"	G22620	USD	7,791,042	-	7,791,042

7. LEGAL CASES

There were no any legal cases related to the Project.

8. EVENTS AFTER THE REPORTING DATE

During 2020 until the date of issue of these project financial statements the Asian Development Bank provided financing to the Project as follows:

Application	Value date	Direct payments	Total
A0055	January 8, 2021	284,119	284,119
A0056	March 10, 2021	1,558,208	1,558,208
A0057	April 8, 2021	<u>84,946</u>	<u>84,946</u>
		<u>1,927,273</u>	<u>1,927,273</u>

As at the date of issue of the project financial statements no other significant events or transactions occurred, except for events and transactions described above.