State institution
"National Agency of Investment and Privatization"

Special purpose financial statements on the Project
"Assistance to Privatization" No. TF098603
for the period from January 1, 2017 to December 31, 2017
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STATEMENT ON MANAGEMENT’S RESPONSIBILITY FOR PREPARATION AND APPROVAL OF SPECIAL PURPOSE FINANCIAL STATEMENTS OF THE PROJECT FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

Management of the State Institution "National Agency of Investment and Privatization" ("the Management") is responsible for preparation of Special purpose financial statements of the project «Assistance to Privatization» ("the Project") being implemented by the Institution. The Special purpose financial statements give a fair presentation of financial position of State Institution "National Agency of Investment and Privatization" ("the Agency") in all material aspects as of December 31, 2017 and of all funds on the Project received and used for the period from January 1, 2017 to December 31, 2017 in accordance with International Public Sector Accounting Standards (IPSAS).

While preparing the Special purpose financial statements of the Project the Management is responsible for:

* adequate choice and application of accounting policies' principles;
* presentation of information including that on accounting policies in a form which ensures relevance, reliability, comparability and transparency of such information;
* compliance with the requirements of IPSAS and disclosure of all significant deviations from IPSAS in the Notes to the Special purpose financial statements of the Project.

The Management is also responsible for:

* developing, implementing and maintaining of effective and reliable internal control system of the Project;
* maintenance of accounting records in a form which can reveal and explain the transactions of the Project, provide information of sufficient accuracy on financial position of the Project at any date and ensure compliance with IPSAS;
* taking all possible reasonable steps to safeguard the assets of the Project and
* preventing and detecting facts of financial and other irregularities.

The present Special purpose financial statements of the Project for the period from January 1, 2017 to December 31, 2017 were approved by the Management on April 20, 2018.

On behalf of the Management of the State Institution "National Agency of Investment and Privatization":

Denis Meleshkin
Deputy Director

Vera Gassitch
Lead financial specialist
Our ref. # 05-01/50 of April 20, 2018

Independent auditors' opinion

To: the Management of the Project “Assistance to Privatization” and State Institution “National Agency of Investment and Privatization”

Opinion

We have audited the special purpose financial statements of the Project “Assistance to Privatization”, financed by International Bank for Reconstruction and Development (“IBRD”) in accordance with Loan Agreement of December 21, 2010 between the Republic of Belarus and IBRD (“the Agreement”). These financial statements are comprised of: Grant Sources and Uses of Funds Statement; Uses of Funds Statement; Statement of Withdrawal; Designated Account Statement as at December 31, 2017 and for the period from January 1, 2017 to December 31, 2017, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements on the Project present fairly in all material respects the financial position of the Project as of December 31, 2017 as well as of funds of the Project received and used for the period from January 1, 2017 to December 31, 2017 in accordance with International Public Sector Accounting Standard “Financial Reporting under the Cash Method of Accounting” developed by International Public Sector Accounting Standards Board of the International Federation of Accountants.

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 Special purpose Financial Statements of the Project section of our report. We are independent of the State Institution “National Agency of Investment and Privatization” in accordance with the Code of Ethics for Professional Accountants developed by International Ethics Standards Board for Accountants (“IESBA”), and we have fulfilled our other ethical responsibilities in accordance with IESBA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Restriction on distribution and use

This report is intended solely for the use by State Institution “National Agency of Investment and Privatization” for presentation of information to the IBRD on the funds received and used upon the Project. This report is not intended for the use of third parties, and we do not bear any responsibility or liability to any other parties except State Institution “National Agency of Investment and Privatization” in respect of this report. In case of taking a decision by the third parties related to the contents of this report, the third parties are liable for such decisions.

Responsibilities of the Management for the Special purpose Financial Statements on the Project

Management of the Project is responsible for preparation and fair presentation of the specified special purpose financial statements in accordance with International Public Sector Accounting Standard...
"Financial Reporting under the Cash Method of Accounting" developed by International Public Sector Accounting Standards Board of the International Federation of Accountants, and for the internal control system that the Management consider necessary for preparation of financial statements that are free material misstatement, whether due to fraud or error.

**Auditor's Responsibilities for the Audit of the Special purpose Financial Statements of the Project**

Our objective is to obtain reasonable assurance about whether the special purpose 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 basis of the special purpose financial statements.

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

- identify and assess the risks of material misstatement of the special purpose financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; 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 system, 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 von the effectiveness of the internal control system;

- evaluate the appropriateness of accounting policy used and the reasonableness of accounting estimates and related disclosures made by the Management;

- evaluate the presentation of the special purpose financial statements as a whole, its structure and contents, including disclosure of information, as well as whether the special purpose financial statements present the underlying operations and events in a manner that ensures their reliable representation.

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

Director of FBK-Bel LLC

A.G. Reneisky

April 20, 2018
Audited organisation:
State Institution "National Agency of Investment and Privatization";
Republic of Belarus, 220004, Minsk, 14 Bersona Str.;
State registration: was registered by Minsk Municipal Executive Committee on June 21, 2011 in the Unified State Register of legal entities and individual entrepreneurs under # 190732611;
Taxpayer's identification number - 190732611.

Audit organisation:
FBK-Bel Limited Liability Company (FBK-Bel LLC);
Republic of Belarus, 220090, Minsk, office 201, 22A Logoisky highway;
State registration: was registered by Minsk Municipal Executive Committee on February 6, 2009 in the Unified State Register of legal entities and individual entrepreneurs under #690398039;
Taxpayer's identification number - 690398039.
## GRANT SOURCES AND USES OF FUNDS STATEMENT
FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

<table>
<thead>
<tr>
<th>Period from January 1, 2017 to December 31, 2017</th>
<th>Cumulative from effectiveness</th>
</tr>
</thead>
</table>

### Opening Cash Balances
- Designated account – Grant funds: 22,217.73
- Transit account – Grant funds: 71.86

**Total opening cash balance**: 22,289.59

### Sources of funds

<table>
<thead>
<tr>
<th>Source</th>
<th>Period from</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>TF 098603</td>
<td>350,000.00</td>
<td>3,700,000.00</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total Financing**: 350,000.00

### Less: Expenditures by Components

<table>
<thead>
<tr>
<th>Component</th>
<th>Period from</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1: Provision of Legal Advice and Institutional Capacity Building</td>
<td>301,912.52</td>
<td>1,846,127.27</td>
</tr>
<tr>
<td>Component 2: Privatization Transactions Delivery</td>
<td>23,371.00</td>
<td>1,808,060.50</td>
</tr>
</tbody>
</table>

**Total Expenditures**: 325,283.52

### Interest earned
- 156.66
- 1,350.50

### Closing Cash Balances per Bank Statements

<table>
<thead>
<tr>
<th>Source</th>
<th>Period from</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designated account - IBRD loan</td>
<td>47,142.24</td>
<td></td>
</tr>
<tr>
<td>Transit account - Grant funds</td>
<td>20.49</td>
<td></td>
</tr>
</tbody>
</table>

**Total closing Cash Balances**: 47,162.73

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On behalf of the State Institution "National Agency of Investment and Privatization":

**Denis Meleshkin**
Deputy Director

**Vera Gassitch**
Lead financial specialist

The notes on pages 12-13 form an integral part of these Special purpose financial statements on the Project.
USES OF FUNDS STATEMENT FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

<table>
<thead>
<tr>
<th>Project component/ Subcomponent/ Activity</th>
<th>Total Amount per procurement plan</th>
<th>Year to date</th>
<th>Cumulative to date</th>
<th>Amount payable at the reporting date (goods/services accepted but not paid)</th>
<th>Total payments still to be made</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Component 1: Provision of Legal Advice and Institutional Capacity Building</strong></td>
<td><strong>1 500 000.00</strong></td>
<td><strong>301 912.52</strong></td>
<td><strong>1 846 127.27</strong></td>
<td><strong>0.00</strong></td>
<td><strong>- 346 127.27</strong></td>
</tr>
<tr>
<td>1.1. Office furniture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2. Training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3. Operational expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4. International Resident Advisor's</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.5. Computer and office equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.6. Web-design</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.7. Communications strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.8. Legal Advisor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.9. Concept design and making the promotional video on the investing and privatization potential and opportunities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.0. Concept design and making the stand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1. Multi-screen multimedia mobile unit for demonstration of video presentations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2. Services of local consultants</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3 Belarus Investment Forum</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Component 1</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The notes on pages 12-13 form an integral part of these Special purpose financial statements on the Project
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
<th>Amount 3</th>
<th>Amount 4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 2: Privatization Transactions Delivery</td>
<td>2 100 000,00</td>
<td>23 371,00</td>
<td>1 808 060,50</td>
<td>0,00</td>
<td>291 039,50</td>
</tr>
<tr>
<td>2.1 Retainer fee for Financial Advisors</td>
<td>23 371,00</td>
<td>1 738 656,11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2 Advertisement of the privatizations in appropriate media</td>
<td></td>
<td></td>
<td>69 404,39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Component 2</td>
<td>23 371,00</td>
<td>1 808 060,50</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To be allocated</td>
<td>1 000 000,00</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
<td>1 000 000,00</td>
</tr>
<tr>
<td>Total Project Expenditure</td>
<td>4 600 000,00</td>
<td>325 283,52</td>
<td>3 654 187,77</td>
<td></td>
<td>945 812,23</td>
</tr>
</tbody>
</table>

On behalf of the State Institution "National Agency of Investment and Privatization":

Denis Meleshkin
Deputy Director

Vera Gassitch
Lead financial specialist

The notes on pages 12-13 form an integral part of these Special purpose financial statements on the Project.
STATEMENT OF WITHDRAWAL FOR THE PERIOD 
FROM JANUARY 1, 2017 TO DECEMBER 31, 2017 

<table>
<thead>
<tr>
<th>Withdrawal application, No.</th>
<th>Category</th>
<th>Date of withdrawal</th>
<th>Payment Currency</th>
<th>Amount</th>
<th>Equivalent in US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>DA-A</td>
<td>25.01.2017</td>
<td>USD</td>
<td>350 000,00</td>
<td>350 000,00</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>350 000,00</td>
</tr>
</tbody>
</table>

On behalf of the State Institution "National Agency of Investment and Privatization":

Denis Meleshkin
Deputy Director

Vera Gassitch
Lead financial specialist

The notes on pages 12-13 form an integral part of these Special purpose financial statements on the Project
### Designated Account Statement

**For the Period from January 1, 2017 to December 31, 2017**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account No. BY12BLBB36420190732611001002 OJSC “Belinvestbank”</td>
<td></td>
</tr>
<tr>
<td><strong>Opening balance at 01.01.2017</strong></td>
<td>22,217.73</td>
</tr>
<tr>
<td><strong>Advance of Grant funds during the period</strong></td>
<td>350,000.00</td>
</tr>
<tr>
<td><strong>Amount of eligible expenditures paid during the present period</strong></td>
<td>216,804.49</td>
</tr>
<tr>
<td><strong>Amount of funds transferred to the transit account</strong></td>
<td>108,271.00</td>
</tr>
<tr>
<td><strong>DA closing balance as at 31.12.2017 carried forward to next period</strong></td>
<td>47,142.24</td>
</tr>
</tbody>
</table>

On behalf of the State Institution “National Agency of Investment and Privatization”:

- Denis Meleshkin, Deputy Director
- Vera Gassitch, Lead financial specialist

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The notes on pages 12-13 form an integral part of these Special purpose financial statements on the Project.
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS ON THE PROJECT FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

DESCRIPTION

Due to the governmental decision on intention to privatize a number of state enterprises, the Ministry of Economy of the Republic of Belarus made a request on provision of financial aid to the International Bank for Reconstruction and Development (World Bank unit). The International Bank for Reconstruction and Development (World Bank unit) agreed to provide the required financial aid in the amount of USD 3,600,000 from the Austrian Trust Fund as a result of which a Grant Agreement was signed on December 21, 2010.

This Agreement was registered on April 28, 2011 under No. 2/11/000466 by the Ministry of Economy of the Republic of Belarus in the database of international technical assistance projects.

In 2015 the Word Bank has extended an additional investment into the Grant in an amount that not exceeded one million United State Dollars (USD 1 000 000) for the Project.

The aim of the Project is to provide the Recipient assistance in capacity-building with the required legal and institutional instruments for the successful launch of the Privatization Program, which is in line with best international practice and adapted to the specific industry/enterprise.

Project implementation includes two components:

Component 1 Provision of Legal Advice and Institutional Capacity Building:
- Provision of consulting services (engagement of an international advisor and other consultants);
- Development of privatization and investment attraction strategy, including a communication component;
- Establishment of a legal framework for privatization and strategic investors' attraction;
- Capacity building for the unit within the Ministry of Economy in charge of the Privatization Program, including training of staff and financing of incremental operating costs.

Component 2 Privatization Transactions Delivery:
- Provision of consultants services including financial advisers to facilitate the Privatization Transactions;
- Deployment of identified customized case-by-case Privatization Transactions;
- Launch of the tender process for these Privatization Transactions;
- Advertisements of the Privatization Transactions in appropriate media.

The period for the Project implementation is from April 24, 2011 to August 15, 2018.

The Project coordinator as at the moment of issuing of the Audit Report is Deputy Director Denis Meleshkin.

Accounting Policies

Financial statements were prepared on a cash basis and comply with the World Bank Guidelines. Accounting Policies were consistently used for the period from September 5, 2011 to December 31, 2017. The base for preparation of these financial statements is the accounting data of the Grant Recipient.

Reporting Period

The Report presented covers the period of use of Grant funds from January 1, 2017 to December 31,
Asstistance to Privatization
TF098603
2017.

Reporting currency

According to the requirements of the World Bank the reporting currency is USD. Payments made in BYN are recognised in financial statements in USD according to the actual conversion rate as at the date of its withdrawal from the designated account.

Project funds provided by the World Bank

The project funds were provided by the World Bank on requests signed by the authorised representatives of the Recipient. For the period from September 5, 2011 to December 31, 2017 the Recipient was financed by transferring the funds to the Project Designated account opened in Belinvestbank JSC.

Project accounts

Bank accounts meeting requirements of the World Bank were opened in Belinvestbank JSC.

A. Designated currency account for the Project.

Designated currency account # BY12BLBB36420190732611001002 was opened in USD.

B. Transit account for the Project.

Transit account # BY39BLBB36420190732611001001 was opened in BYN for settlements with local business advisors as well as with suppliers of goods, works and services. Funds from the Designated account are transferred to this account upon conversion of US dollars into Belarusian rubles.

Earnings and expenses

The Project management group keeps its records and prepares its financial statements on a cash basis. The funds are recognised at the moment of their receipt from the World Bank. Expenses are recorded at the date of funds withdraw from the Project accounts.

The following table indicates component categories subject to Grant financing, amounts granted for each category and a rate of component expenses:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (in USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, consultants' services (including audit of the Project), Training and Incremental Operating Costs</td>
<td>4 600 000,00</td>
<td>100%</td>
</tr>
</tbody>
</table>