

# Audited Project Financial Statements

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Project Number: 44198-013  
Loan Number: 2869-KGZ  
Grant Number: 0294-KGZ  
Period covered: 1 January 2019 to 30 April 2020

## KGZ: Power Sector Rehabilitation Project

Prepared by OJSC Electric Power Plants

For the Asian Development Bank  
Date received by ADB: 19 June 2020

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 OJSC Electric Power Plants.

**«ELECTRIC POWER PLANTS»  
OPEN JOINT STOCK COMPANY**

**POWER SECTOR REHABILITATION PROJECT  
LOAN No.2869-KGZ (SF) / GRANT No.0294-KGZ (SF)  
IMPLEMENTATION OF THE FIRST PART OF THE PROJECT**

**FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019  
FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 APRIL 2020**

**AND  
INDEPENDENT AUDITOR'S REPORT**

**Bishkek 2020**

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**INDEPENDENT AUDITOR'S REPORT  
HLB MARKA AUDIT LLC**

**on financial statements of implementation of first part of  
the Power Sector Rehabilitation Project Loan №2869-KGZ(SF)/Grant №0294-KGZ(SF)**

**Asian Development Bank**

**OJSC "Electric Power Plants"**

***Opinion***

We have audited the accompanying financial statements of the first part of "Power Sector Rehabilitation" Project (hereinafter the 'Project'), implemented by the OJSC Electric Power Plants and Investment Projects Implementation Department (the "Organization"), financed by the Asian Development Bank in accordance with the Financing Agreement, Loan No.2869-KGZ (SF), Grant No. 0294-KGZ (SF) dated 12 September 2012 (hereinafter both the "Agreement") and co-financed by the Government of the Kyrgyz Republic. The financial statements comprise of Statement of Sources and Uses of Funds for the period from 1 January 2019 to 31 December 2019 and from 1 January 2020 to 30 April 2020, and a summary of significant accounting policies and other explanatory notes.

***In our opinion,***

The accompanying financial statements and notes to them, in all material respects, give a true and fair view of the receipts and expenditure of funds of the "Power Sector Rehabilitation" Project for the period from 1 January 2019 to 31 December 2019 and from 1 January 2020 to 30 April 2020 in accordance with International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting, requirements of the Asian Development Bank "Financial management and Project analysis" and the relevant articles of the Financing Agreement (special operations) Loan №2869-KGZ(SF) / Grant №0294-KGZ(SF);

- a) the Organization, in all material respects, used all the funds provided to the Project in accordance with the conditions of the Agreement, with due attention to the economy and efficiency and only for the financing purposes;
- b) the goods and services for the Project implementation were purchased and provided in accordance with the requirements of the Agreement, including specific norms of the procurement handbook issued by the Asian Development Bank;
- c) the necessary supporting documents and Project reports are kept in full, and there is a clear relationship between accounting and special reports submitted to the Asian Development Bank;
- d) the internal control system includes all corresponding policies and procedures adopted by the management of the Project in order to support proper implementation of the Project tasks that means ordered and effective performance including safety of assets, prevention and reveal of facts of fraud and errors, accuracy and completeness of accounting records, as well as timely preparation of special-purpose financial statements;
- e) during the reporting period percentage of financing funds and expenses from the funds of the Asian Development Bank and the Government of the Kyrgyz Republic, specified in the Agreement have been complied.

***Basis of Accounting and Restriction on Distribution***

Without qualifying our opinion, we draw your attention to Note 2 to the financial statements, describing the basis of accounting. These Project financial statements have been prepared to assist the management of the Organization to comply with the requirements of the Asian Development Bank. Therefore, these Project financial statements may not be suitable for another purpose.



### ***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 Organization in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code, applied to our audit of the financial statements in the Kyrgyz Republic. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

The Management of the Organization is responsible for the preparation and fair presentation of these Project financial statements in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting, described in Note 2, requirements of the Asian Development Bank "Financial management and Project analysis" and the relevant articles of the Financing Agreement (special operations) Loan No.2869- KGZ (SF), Grant No.0294-KGZ (SF), and for the maintaining internal control system which is relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 the International Standards of Auditing 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 these financial statements.

As part of an audit in accordance with the International Standards of Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risk of material misstatement of financial statements, whether due to fraud or errors, 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 errors, 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 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. As stated in Note 1, the completion date of the Project was 31 December 2016, in accordance with the Financing Agreement. In accordance with the letter of the Asian Development Bank of 13 November 2014 it was confirmed a closing date on 30 June 2019, on 6 May 2019 the closing date was extended until 31 December 2019. The liquidation period is from 1 January to 30 April 2020;

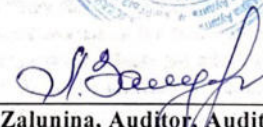
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain findings and other relevant auditor's evidences regarding financial information of the enterprise or business activities inside of the Project to express our opinion regarding financial statements. We are responsible for direction, supervision and fulfillment of an audit. We are solely responsible for our auditor's report.

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.

#### **HLB MARKA AUDIT LLC**

*License registration No.0146 dated November 13, 2018, issued by the State Service of Regulation and Supervision of the Financial Market at the Government of the Kyrgyz Republic; Registration certificate No.4850-3301-000 issued by the Kyrgyz Republic Ministry of Justice dated from October 11, 2019; 38, Professor Zima Street, Bishkek, the Kyrgyz Republic, Telephone/fax: (312) 32-05-75*

  
**A. M. Asylbekova, Director, Auditor**  
*Qualified Auditor Certificate Series AL#0012, registration number 0461 of 7 August 2019*

  
**L.G. Zalunina, Auditor, Audit Leader**  
*Qualified Auditor Certificate No.00222 of 31.10.2011  
DipIFR (Rus.) - Certificate No.1768245 of 09.12.2010  
CAP Certificate No. 0007812 of 15.12.2007*

12 June 2020



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR PREPARATION  
AND APPROVAL OF FINANCIAL STATEMENTS**

The statement below, which should be considered together with the description of independent auditors' terms of reference, accompanied the report of independent auditors, is made with the purpose to delimit obligations of auditors and the management of the State Committee of Industry, Energy and Subsoil use of Kyrgyz Republic in respect of the financial statements of the "Power Sector Rehabilitation" Project. The management of the Organization, when implementing the first part of the "Power Sector Rehabilitation" Project, Loan No. 2869-KGZ(SF)/Grant No.0294-KGZ (SF), financed by Asian Development Bank, is responsible for preparing the financial statement that fairly reflects, in all material respects, the sources and use of funds of the second part of the Project for the period from 1 January 2019 to 31 December 2019 and from 1 January 2020 to 30 April 2020, in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting and requirements of Asian Development Bank "Financial management and Project analysis" and relevant articles of the Financing Agreement (special operations) Loan No. 2869-KGZ(SF)/Grant No.0294-KGZ (SF).

When preparing the Project financial statement, the management of the Organization is responsible for:


- selecting appropriate accounting principles and using those consistently;
- performing well-grounded assessments and calculations;
- meeting the requirements of Asian Development Bank and giving disclosures of material variances from the mentioned standards in comments to the financial reporting.

The management of the Organization is also responsible for:

- development, implementation and maintenance of the effective and reliable system of internal control in the Project;
- maintenance of the accounting system that permits to provide information on financial position of the Project with a sufficient degree of accuracy at any time and assure the financial statements are in compliance with the requirements of Asian Development Bank;
- taking measures, within their terms of reference, to ensure integrity of the Project's assets;
- detection and prevention of fraudulent practices and other facts of misuses.

These financial statements for the period from 1 January 2019 to 31 December 2019 and for the period from 1 January 2020 to 30 April 2020 were approved by the management of the Organization on 12 June 2020.

On behalf of the management of the Organization:

  
**A.K. Kushubakov**  
**Deputy Director General**  
**OJSC Electric Power Plants**



**12 June 2020**

**"Power Sector Rehabilitation" Project, First Part**  
**Loan No. 2869-KGZ (SF)/Grant No.0294-KGZ (SF)**

**Statement of Sources and Use of Funds**

For the period from 1 January 2019 to 31 December 2019 and for the period 1 January 2020 to 30 April 2020  
 (Amounts in tables are shown in US dollars)

Item	Note	From 1 January 2020 to 30 April 2020	From the project beginning to 30 April 2020	From 1 January 2019 to 31 December 2019	From the project beginning to 31 December 2019	From 1 January 2018 to 31 December 2018	From the project beginning to 31 December 2018
<b>Sources of financing:</b>							
ADB Loan No. 2869- KGZ (SF)	4	86,910	10,958,693	1,516,665	10,871,783	3,900,090	9,355,118
ADB Grant No. 0294- KGZ (SF)	4	202,789	25,570,281	3,538,884	25,367,492	9,100,210	21,828,608
GKR	4	51,616	243,164	90,861	191,548	63,984	100,687
<b>Total financing:</b>	<b>4</b>	<b>341,315</b>	<b>36,772,138</b>	<b>5,146,410</b>	<b>36,430,823</b>	<b>13,064,284</b>	<b>31,284,413</b>
<b>Project expenses:</b>							
<b>1. Contract on turnkey terms</b>							
Project first part:							
ADB Loan No. 2869- KGZ (SF)	-	-	9,853,205	1,239,478	9,853,205	3,565,397	8,613,727
ADB Grant No. 0294- KGZ (SF)	-	-	22,990,810	2,892,115	22,990,810	8,319,259	20,098,695
<b>Total:</b>	<b>-</b>	<b>-</b>	<b>32,844,015</b>	<b>4,131,593</b>	<b>32,844,015</b>	<b>11,884,656</b>	<b>28,712,422</b>
<b>2. Consulting services</b>							
Project first part:							
<b>ADB: Loan № 2869-KGZ</b>							
a) Consultant on the Project implementation	5	86,910	1,085,781	271,836	998,871	331,126	727,035
e) External audit	5	-	19,707	5,351	19,707	3,567	14,356
<b>Total:</b>		<b>86,910</b>	<b>1,105,488</b>	<b>277,187</b>	<b>1,018,578</b>	<b>334,693</b>	<b>741,391</b>
<b>ADB Grant No. 0294- KGZ (SF)</b>							
a) Consultant on the Project implementation	5	202,789	2,533,486	634,283	2,330,697	772,627	1,696,414
e) External audit	5	-	45,985	12,486	45,985	8,324	33,499
<b>Sub-total:</b>		<b>202,789</b>	<b>2,579,471</b>	<b>646,769</b>	<b>2,376,682</b>	<b>780,951</b>	<b>1,729,913</b>
<b>Total:</b>		<b>289,699</b>	<b>3,684,959</b>	<b>923,956</b>	<b>3,395,260</b>	<b>1,115,644</b>	<b>2,471,304</b>
<b>3. Taxes and fees of Government of KR</b>							
<b>4. Financing expenditures GKR</b>							
<b>5</b>							
Total ADB Loan № 2869 KGZ		86,910	10,958,693	1,516,665	10,871,783	3,900,090	9,355,118
Total ADB Grant № 0294 KGZ		202,789	25,570,281	3,538,884	25,367,492	9,100,210	21,828,608
Total GKR		51,616	243,164	90,861	191,548	63,984	100,687
<b>Project total expenses</b>		<b>341,315</b>	<b>36,772,138</b>	<b>5,146,410</b>	<b>36,430,823</b>	<b>13,064,284</b>	<b>31,284,413</b>

A.K. Kushubakov  
 Deputy Director General  
 OJSC Electric Power Plants

Zh. Kurmanova  
 Financial Manager of the First Part of  
 "Power Sector Rehabilitation Project"

Notes on pages 8-15 are integral part of this financial report.



**First Part of "Power Sector Rehabilitation" Project**  
**Loan No. 2869-KGZ (SF)/Grant No.0294KGZ (SF)**

**Notes to the Financial Statements**

For the period from 1 January 2019 to 31 December 2019 and for the period 1 January 2020 to 30 April 2020  
(Amounts in Tables are shown in US dollars)

**1. BACKGROUND OF THE PROJECT**

The "Power Sector Rehabilitation" Project is being implemented in accordance with the Financing Agreement (Special Operations), Loan No.2869-KGZ(SF)/Grant No.0294-KGZ(SF), signed between the Government of the Kyrgyz Republic (GKR) and the Asian Development Bank (ADB) dated 12 September 2012, the Financing Agreement come into force on 7 December 2012 according to the Kyrgyz Republic Law No.197.

The objective of the Project is to increase the efficiency of the power sector. The Project consists of two parts:

- **Part 1:**
  - a) Rehabilitation of Toktogul Hydro Power Station by replacing the specified electrical and mechanical equipment with new 500-kilovolt cables, excitation systems, governor systems, generator circuit breakers, and purchase of spare stator windings;
  - b) Support of "Electric Power Plants" OJSC in Project implementation management, including procurements, safeguard support, contract supervision and external audit.
- **Part 2:**
  - a) Establishment of the Kyrgyz Electricity Settlement Center, including its operation for the first two years by an international firm and training of national staff for its operation thereafter;
  - b) Preparation of a dam safety assessment on the condition of dams on Naryn Cascade Hydro Power and identification of necessary remedial measures;
  - c) Preparation and implementation of a public information program, aiming at raising public awareness of developments in the power sector and the benefits of reforms.

Implementation of the first part of the Project financed out of the proceeds of the Loan 2869-KGZ(SF):

Category	SDR Loan proceeds	Change by categories*	Loan amount in SDR changed	Changes by categories***	Loan amount in SDR changed as of 31 December 2018	Allocation of the amount in millions of USD****	Costs percentage at the expense of the Loan Category
<b>1.Contract on turnkey terms*</b>	<b>7,825,000</b>	<b>776,240</b>	<b>8,601,240</b>	<b>(1,424,475)</b>	<b>7,176,765</b>	<b>10,022,894</b>	<b>30%</b>
<b>2. Consulting services*</b>	<b>802,000</b>	<b>180,824</b>	<b>982,824</b>	<b>-</b>	<b>982,824</b>	<b>1,379,454</b>	<b>30%</b>
a) Consultant on the Project implementation	782,597	180,824	963,421	-	963,421	1,352,221	30%
e) External audit	19,403	-	19,403	-	19,403	27,234	30%
<b>3. Unallocated funds</b>	<b>1,076,000</b>	<b>(957,064)</b>	<b>118,936</b>	<b>-</b>	<b>118,936</b>	<b>162,220</b>	<b>30%</b>
<b>Total</b>	<b>9,703,000</b>	<b>-</b>	<b>9,703,000</b>	<b>(1,424,475)</b>	<b>8,278,525</b>	<b>11,564,568</b>	<b>30%</b>

\* excluding taxes, fees and charges

\*\* In August 2015, as agreed and approved by ADB, funds were transferred from the "Unforeseen expenses" category to the "Contract on turnkey" category.

In August 2016, as agreed and approved by ADB, funds were transferred from the category "Unallocated expenses" to the category "Consulting expenses"

\*\*\* In 2018, changes were made to the budget for the "Contract on turnkey".

\*\*\*\* The budget of the SDR loan is accepted in US dollars according to ADB data as of April 30, 2020.

**First Part of "Power Sector Rehabilitation" Project**  
**Loan No. 2869-KGZ (SF)/Grant No.0294KGZ (SF)**

**Notes to the Financial Statements**

For the period from 1 January 2019 to 31 December 2019 and for the period 1 January 2020 to 30 April 2020  
(Amounts in Tables are shown in US dollars)

Implementation of the first part of the Project under Grant No. 0294-KGZ (SF):

Category	Grant amount in USD	Grant amount changed as of 31 December 2018	Grant amount changed as of 30 April 2020	Costs percentage at the expense of the Grant
1. Contract on turnkey terms	27,903,000	22,903,000	23,104,000	70%
2. Consulting services	2,860,000	3,460,000	3,460,000	87%
a) Consultant on the Project implementation	2,790,000	3,390,000	3,390,000	70%
b) External audit	70,000	70,000	70,000	70%
3. Unallocated funds	3,837,000	237,000	36,000	
<b>Total</b>	<b>34,600,000</b>	<b>26,600,000</b>	<b>26,600,000</b>	

*\*excluding taxes, fees and charges*

*In August 2015, as agreed and approved by ADB, funds were transferred from the category "Contingency" to the category "Turnkey contract".*

*In August 2016, as agreed and approved by ADB, funds were redistributed from the category "Unallocated expenses" to the category "Consulting expenses"*

*In 2019 as agreed and approved by ADB, there were made changes in the budget of Grant by categories "Contract turnkey" and "Unallocated funds" amounting to USD 201,000.*

As a contribution to the cost of the Project from the Government of the Kyrgyz Republic are:

- taxes and duties due to counter financing or granting exemptions from taxes and duties. In addition, the Government of the Kyrgyz Republic will ensure that the State Committee for Industry, Energy and Subsoil Use of the Kyrgyz Republic, which is the successor of the Ministry of Energy and Industry of the Kyrgyz Republic, and OJSC Electric Power Plants, has other financial resources sufficient to cover expenses, such as taxes, duties, or other obligatory payments.
- interest expense accrued at 1% per annum for the grace period and at 1.5% per annum for the remainder of the period, on loans withdrawn from the Loan Account and outstanding by that time.

In accordance with the Financing Agreement (special operations) Loan No. 2869-KGZ (SF) / Grant No. 0294-KGZ (SF), the Government of the Kyrgyz Republic re-credits part of the grant and loan funds of Electric Power Plants OJSC on the basis of the conditions of the subsidiary Financial Agreement satisfying ADB. The terms of the loan and grant funds redemption include interest payments at a rate of 1.5% per year, including currency risks, and a repayment period over a period of 25 years, including a 5-year grace period.

The Project completion date, in accordance with the Financing Agreement, was set on 31 December 2016. In accordance with the letter of the Asian Development Bank dated 13 November 2014, the closing date of the Project was confirmed on 30 June 2019. On 6 May 2019 the Project completion date was extended till 31 December 2019.

The executive agency of the first part of the Project is OJSC Electric Power Plants, which is responsible for the rehabilitation of the Toktogul HPS, supervises the Project Implementation Consultant and engineering contractors, and is the source of the uncovered part of the Project cost and current expenses.

The operational management and implementation of the first part of the Project "Power Sector Rehabilitation" was handled by the Investment Projects Implementation Department (IPID) created by the Order of the General Director of Electric Power Plants OJSC No. 274 dated 30 November 2012 at Electric Power Stations OJSC.

Order No. 90 dated 6 April 2017 established the Department for the Implementation of Investment Projects (DIIP) on the basis of the Investment Project Implementation Division (IPID), and also transferred the staff of the IPID to DRIP.



**Notes to the Financial Statements**

For the period from 1 January 2019 to 31 December 2019 and for the period 1 January 2020 to 30 April 2020  
(Amounts in Tables are shown in US dollars)

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## **2. ACCOUNTING POLICY**

### **2.1. Principles of Financial Statements Preparation**

These financial statements have been prepared in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting, and requirements of Asian Development Bank "Finance Management and Analysis of the Project" and articles of Financing Agreement (Special Operations), Loan No.2869-KGZ (SF)/ Grant No.0294-KGZ (SF).

According to the accounting policy, all funds reflected in statements when received are considered as receipts, regardless of their source, deposited on a settlement account. Expenses are the funds paid for works, goods and services and reflected in statements when paid.

The accounting policies set out below have been applied consistently within the whole period.

#### *Financing*

Financing from the ADB funds is presented by a procedure of direct payments.

Financing through the direct payments is recognized when transactions and payments of funds to the indicated supplier are approved by the ADB, at the request of the Borrower.

#### *Expenses*

The Project expenses are recognized as such and included into financial statements when suppliers are paid for goods, works, and/or services.

#### *Operations and Reporting Currency*

The national currency of the Kyrgyz Republic is the Som. The reporting currency is the US dollar.

For the purposes of preparing financial statements in US dollars, expenses incurred in soms at the date of the transaction,

- At the expense of the GKR - for the period from the beginning of the Project until 31 December 2016 the expenses were denominated in US dollars at a fixed rate according to the Law on the Republican budget of the Kyrgyz Republic.
- From 1 January 2017, they were denominated in US dollars at the NBKR exchange rate on the date of the transaction.

Any gains or losses on assets or liabilities denominated in foreign currencies arising from changes in the exchange rate were recognized as foreign exchange gains or losses and are reflected in the Statement of Sources and Use of funds, on a net basis.

### **2.2. Internal Control System**

#### *Project Plan*

- Actual implementation of the Project plan is controlled quarterly by submitting reports to the ADB;
- For efficient functioning of the process, the information on operating outcomes is timely analyzed.

#### *Procurement and expending funds*

Expenditures are recorded on corresponding accounts, only for approved purposes, and according to the Project budget lines.



**Notes to the Financial Statements**

For the period from 1 January 2019 to 31 December 2019 and for the period 1 January 2020 to 30 April 2020  
(Amounts in Tables are shown in US dollars)

### 3. TAXATION

According to the Financing Agreement, the ADB funds should not be used for payment of taxes.

Within boundaries of "Provisions on the order of implementation of international contracts and other agreements, under which the Kyrgyz Republic is a partner", in a part of exemption from payments of taxes, duties and other payments", approved by the Kyrgyz Republic Government Resolution No.155 dated 12 April 2011:

- supply of goods, works and services in the territory of the Kyrgyz Republic, to a general contractor, as well as to project implementation units, international consultants at availability of corresponding agreements and contracts, shall be exempted from payment of a value added tax (hereinafter 'VAT') and sales tax;
- import of goods, performed at the expense of grant and loan funds, shall be exempted from VAT, an excise tax, duties and other payments for customs clearance when a foreign economic transaction is made in the name of an organization, a project implementation unit, and a general contractor.

### 4. FINANCING OF THE PROJECT

	From the project beginning to 30 April 2020	From 1 я January 2020 to 30 April 2020	From 1 January 2019 to 31 December 2019	From 1 January 2018 to 31 December 2018
ADB: Loan № 2869- KGZ(SF)	10,958,693	86,910	1,516,665	3,900,090
Direct payment	10,958,693	86,910	1,516,665	3,900,090
ADB: Grant №0294-KGZ(SF)	25,570,281	202,789	3,538,884	9,100,210
Direct payment	25,570,281	202,789	3,538,884	9,100,210
GKR: Costs of financing	243,164*	51,616	90,861	63,984*
<b>Total financing</b>	<b>36,772,138</b>	<b>341,315</b>	<b>5,146,410</b>	<b>13,064,284</b>

\* Based on the letter dated 10.06.2020 for N16-1-2/5592 from the Ministry of Finance of the Kyrgyz Republic, the amounts under the category "Financing Costs" for GKR share for the period from 1 January 2018 to 31 December 2018 and for the period from the beginning of the project to 31 December 2018 were reduced by USD 36,721 and USD 53,206 respectively.

### 5. PROJECT EXPENDITURES

Expenditures were incurred in accordance with the Project budget and for the period from 1 January 2020 to 30 April 2020 they were as follows:

Category	Actual expenses for the period from 1 January 2020 to 30 April 2020				
	Loan No.2869- KGZ(COL)	Grant No. 0294- KGZ	Total ADB	GKR	Total expenses
1. Contract on turnkey terms	-	-	-	-	-
2. Consulting services	86,910	202,789	289,699	-	289,699
including:					
a) Consultant on the Project implementation	86,910	202,789	289,699	-	289,699
b) External audit	-	-	-	-	-
3. Finance expenditures	-	-	-	51,616	51,616

**First Part of "Power Sector Rehabilitation" Project**  
**Loan No. 2869-KGZ (SF)/Grant No.0294KGZ (SF)**

**Notes to the Financial Statements**

For the period from 1 January 2019 to 31 December 2019 and for the period 1 January 2020 to 30 April 2020  
 (Amounts in Tables are shown in US dollars)

Category	Actual expenses for the period from 1 January 2020 to 30 April 2020				
	Loan No.2869-KGZ(COL)	Grant No. 0294- KGZ	Total ADB	GKR	Total expenses
<b>Total Project expenses</b>	<b>86,910</b>	<b>202,789</b>	<b>289,699</b>	<b>51,616</b>	<b>341,315</b>

The expenses were incurred in accordance with the Project budget and for the period from 1 January 2019 to 31 December 2019 they were as follows:

Category	Actual expenses for or the period from 1 January 2019 to 31 December 2019				
	Loan No.2869-KGZ(COL)	Grant No. 0294- KGZ	Total ADB	GKR	Total expenses
1. Contract on turnkey terms	1,239,478	2,892,115	4,131,593		4,131,593
2. Consulting services	277,187	646,769	923,956		923,956
including:					
a) Consultant on the Project implementation	271,836	634,283	906,119		906,119
b) External audit	5,351	12,486	17,837		17,837
3. Finance expenditures				90,861	90,861
<b>Total Project expenses</b>	<b>1,516,665</b>	<b>3,538,884</b>	<b>5,055,549</b>	<b>90,861</b>	<b>5,146,410</b>

The expenses were incurred in accordance with the Project budget and for the period from 1 January 2018 to 31 December 2018 they were as follows:

Category	Actual expenses for the period from 1 January 2018 to 31 December 2018				
	Loan No.2869-KGZ(COL)	Grant No. 0294- KGZ	Total ADB	GKR	Total expenses
1. Contract on turnkey terms	3,565,397	8,319,259	11,884,656		11,884,656
2. Consulting services	334,693	780,951	1,115,644		1,115,644
including:					
a) Consultant on the Project implementation	331,126	772,627	1,103,753		1,103,753
b) External audit	3,567	8,324	11,891		11,891
3. Finance expenditures				63,984	63,984
<b>Total Project expenses</b>	<b>3,900,090</b>	<b>9,100,210</b>	<b>13,000,300</b>	<b>63,984</b>	<b>13,064,284</b>

For the Project implementation period:

Category	Actual expenses for the Project implementation period				
	Loan No.2869-KGZ(COL)	Grant No. 0294- KGZ	Total ADB	GKR	Total expenses
1. Contract on turnkey terms	9,853,205	22,990,810	32,844,015	-	32,844,015
2. Consulting services	1,105,488	2,579,471	3,684,959	-	3,684,959
including:					
a) Consultant on the Project implementation	1,085,781	2,533,486	3,619,267	-	3,619,267
b) External audit	19,707	45,985	65,692	-	65,692
3. Finance expenditures	-	-	-	243,164	243,164
<b>Total Project expenses</b>	<b>10,958,692</b>	<b>25,570,281</b>	<b>36,528,974</b>	<b>243,164</b>	<b>36,772,138</b>



**First Part of "Power Sector Rehabilitation" Project**  
**Loan No. 2869-KGZ (SF)/Grant No.0294KGZ (SF)**

**Notes to the Financial Statements**

For the period from 1 January 2019 to 31 December 2019 and for the period 1 January 2020 to 30 April 2020  
(Amounts in Tables are shown in US dollars)

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Within the framework of consulting services between OJSC Electric Power Plants and HLB Marka Audit LLC., Contract dated 31 March 2014 was signed and approved by ADB in the amount of USD 53,801 for the period of auditing until June 2017 inclusive. The contract received exemption from indirect taxes from the Ministry of Economy of the Kyrgyz Republic.

On 26 June 2018, an additional agreement No. 1 to the contract No.D-164-30/115 dated 31 March 2014 was concluded, and ADB approved it for a new contract amount of USD 77,583, for the period of verification until 30 June 2019.

In order to assist the DIIP in the management and management of the Project, as part of the provision of consulting services, Electric Power Plants OJSC and Fichtner GmbH & Co.K signed contract No. PSRP-CS-1/2013 dated 18 March 2013, and was approved by ADB in the amount of 3,719,720 US dollars. The contract received exemption from indirect taxes from the Ministry of Economy of the Kyrgyz Republic.

On 3 February 2016, an additional agreement to the Contract No.PSRP-CS1/2013 dated 18 March 2013 was signed and approved by ADB for a new contract amount of USD 4,400,528 for the period up to 9 January 2019.

On 23 August 2018, an additional agreement to the Contract was signed and approved by ADB for a new contract amount of USD 4,352,587 for the implementation period extended up to 30 June 2019.

As part of the implementation of the Contract on turnkey terms' component, the rehabilitation of the Toktogul Hydroelectric Station by replacing certain electrical and mechanical equipment with new ones, contracts were concluded:

- No. D34-26 / 235 dated 18 May 2015 for underwater survey with the consortium BSR Co Ltd. and Aquadron Inc. (South Korea) and approved by ADB in the amount of USD157,200. The work was completed in full, the PRO4 remote control unit (RCU) (VideoRay) was installed and commissioned, spare parts, operating and maintenance instructions, and a certificate of completion signed by both parties on 11 November 2015 were received.
- No. D34-18 / 554 dated 21 December 2015, to replace electrical equipment with JOC Technical Engineering Co Ltd, and approved by ADB in the amount of USD 16,562,360. On 18 January 2017, an agreement was signed on adjusting the price of the Contract and approved by the ADB for a new amount of USD 16,708,765.
- No. D34-20 / 428 dated 12 October 2015, for the replacement of 500 kV cable lines, a consortium of LS and Systems Co. Ltd. and SMPowertech Co., Ltd. (South Korea) and approved by ADB in the amount of USD 9,870,001.50. Additional agreement No. 2 dated 16.11.2016 to the Contract revised the Contract price, a reduction in the price due to a reduction in the cost of cable materials (copper) in the amount of USD 233,348.86 and an increase in connection with the production of a steel casing for cables in the amount of USD 325,000. Additional agreement No. 5 dated 13.06.2019 to the Contract increased the Contract price by USD 124,308.
- D-15-37/588 dated 27 December 2017, design, manufacture of 500 kV Substation equipment and 500 kV cable transfer Point, Genser Genel Muhendistik Taahhut ve Ticaret A. S. (Turkey) and approved by the ADB in the amount of USD 5,809,000. An additional agreement dated 19. 09. 2018 increased the amount of the Contract by USD 2,700. By an additional agreement dated 18.07.2019, the Contract amount was increased by USD 240,759.

According to the terms of the Financing Agreement, the category "Financing Costs" is intended to finance the interest costs of Loan No. 2869-KGZ (SF) within a period of 25 years (2013–2037), including a 5-year grace period.



First Part of "Power Sector Rehabilitation" Project  
Loan No. 2869-KGZ (SF)/Grant No.0294KGZ (SF)

Notes to the Financial Statements

For the period from 1 January 2019 to 31 December 2019 and for the period 1 January 2020 to 30 April 2020  
(Amounts in Tables are shown in US dollars)

## 6. LIABILITIES ON THE CONCLUDED CONTRACTS

As of 30 April 2020 the Project had an outstanding liability on concluded contracts on ADB financing:

	Loan	Grant	Total
<b>Contract on turnkey terms</b>			
Genser Genel Muhendistik Taahhut ve Ticaret A.S. (Turkey)	3,616	8,439	12,055
<b>Consulting services -</b>			
Financial audit - "HLB Marka Audit" LLC	3,567	8,324	11,891
<b>Total</b>	<b>7,183</b>	<b>16,763</b>	<b>23,946</b>

## 7. EXECUTION OF THE BUDGET OF THE FIRST PART OF THE PROJECT

The implementation of the budget of the first part of the Project, Loan No. 2869-KGZ (SF) by the ADB, according to the executive agency of OJSC Electric Power Plants, from the beginning of its implementation, was divided into categories:

Item	Funds used from the beginning of the Project		Total Project budget	Available funds (budget-fact)	
	amount	%		amount	%
1. Contract on turnkey terms	9,853,205	101%	10,022,894	169,689	2%
2. Consulting services	1,105,488	82%	1,379,454	273,966	20%
a) Consultant on the Project implementation	1,085,781	83%	1,352,221	266,440	20%
e) External audit	19,707	74%	27,234	7,527	28%
3. Unallocated funds	-	-	162,220	162,220	100%
<b>Total</b>	<b>10,958,693</b>	<b>97%</b>	<b>11,564,568</b>	<b>605,876</b>	<b>5%</b>

The implementation of the budget of the first part of the Project, Grant No. 0294-KGZ (SF) by the ADB, from the beginning of its implementation, was divided into categories:

Item	Funds used from the beginning of the Project		Total Project budget	Available funds (budget-fact)	
	сумма	%		сумма	%
1. Contract on turnkey terms	22,990,810	100%	23,104,000	113,190	0,5%
2. Consulting services	2,579,471	75%	3,460,000	880,529	25%
a) Consultant on the Project implementation	2,533,486	75%	3,390,000	856,514	25%
e) External audit	45,985	66%	70,000	24,015	34%
3. Unallocated funds	-	-	36,000	36,000	100%
<b>Total</b>	<b>25,570,281</b>	<b>96%</b>	<b>26,600,000</b>	<b>1,029,719</b>	<b>4%</b>

**First Part of "Power Sector Rehabilitation" Project**  
**Loan No. 2869-KGZ (SF)/Grant No.0294KGZ (SF)**

**Notes to the Financial Statements**

For the period from 1 January 2019 to 31 December 2019 and for the period 1 January 2020 to 30 April 2020  
(Amounts in Tables are shown in US dollars)

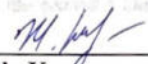
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**8. EVENTS AFTER THE REPORTING DATE**

After the reporting date and up to the date of approval of the financial statements, no events occurred that would affect the disclosures in the submitted financial statements, except for the payment by ADB of liabilities (Note 6) in the total amount of USD 23,946.

  
**A.K. Kushubakov**  
**Deputy Director General**  
**OJSC Electric Power Plants**



  
**Zh. Kurmanova**  
**Financial Manager of "Power Sector**  
**Rehabilitation Project", First Part**