

Audited Project Financial Statements

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 State Committee for Industry, Energy and Subsoil Use of the Kyrgyz Republic

For the Asian Development Bank
Date received by ADB: 23 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 State Committee for Industry, Energy and Subsoil Use of the Kyrgyz Republic.

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

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

**ON FINANCIAL STATEMENTS OF IMPLEMENTATION OF SECOND PART OF
THE POWER SECTOR REHABILITATION PROJECT,
LOAN No.2869- KGZ (SF), GRANT №0294-KGZ (SF)**

Asian Development Bank

State Committee of Industry, Energy and Subsoil Use of the Kyrgyz Republic

Opinion

We have audited the accompanying financial statements of the second part of "Power Sector Rehabilitation" Project (hereinafter the 'Project'), implemented by the State Committee of Industry, Energy and Subsoil use of Kyrgyz Republic and the Project Implementation Unit (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 the 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 Analysis of Projects" and the relevant articles of the Financial Agreement (special-purpose operations) Loan No.2869-KGZ (SF), Grant No. 0294-KGZ (SF);
- 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;
- the goods and services 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;
- the appropriate supporting documents and reports on the Project are properly kept and there is clear correlation between the accounting data and the reports presented to the Asian Development Bank;
- 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;
- 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 Project 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 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 Project completion date was set on 31 December 2016 in accordance with the Financing Agreement. In accordance with the letter of the Asian Development Bank of 13 November 2014 the closing date was confirmed on 30 June 2019, on 6 May 2019 the closing date of the Project was extended till 31 December 2019. A 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 results and sufficient appropriate audit evidence regarding financial information of enterprises or activities within the Project to express an opinion on the financial statements. We are responsible for the direction, supervision and fulfillment of the audit. We remain solely responsible for our audit opinion.

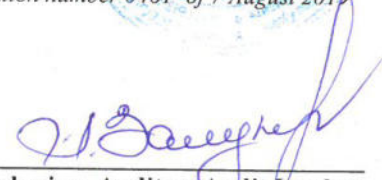
We communicate with those charged with the responsibility for the Project implementation, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

*Qualified Auditor Certificate Series AD №0012,
registration number 0461 of 7 August 2019*


L.G. Zalunina, Auditor, Audit Leader

*Qualified Auditor Certificate No.00222 of 31.10.2011
DiplFR (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 second 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.

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

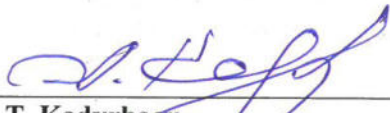
- selecting appropriate accounting principles and using those consistently;
- performing well-grounded assessments and calculations;
- meeting the requirements of Asian Development Bank and giving disclosures of material variances from the mentioned standards in comments to the financial reporting.

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 that 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 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.T. Kadyrbaev
Vice-Chairman of the State Committee of Industry,
Energy and Subsoil Use of the Kyrgyz Republic

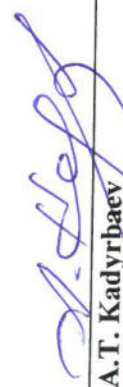
12 June 2020

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

Statement of Sources and Use of Funds


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

Note	From 1 January 2020 to 30 April 2020	From the beginning of the Project to 30 April 2020	From 1 January 2019 to 31 December 2019	From the beginning of the Project to 31 December 2019	From 1 January 2018 to 31 December 2018	From the beginning of the Project to 31 December 2018
Sources of financing:						
ADB Grant No. 0294- KGZ(SF)	166,945	4,366,792	1,993,794	4,199,847	768,402	2,206,053
Government of KR	-	424,186	229,970	424,186	49,809	194,216
Total financing:	166,945	4,790,978	2,223,764	4,624,033	818,211	2,400,269
Project expenses:						
2. Consulting services on the second part of the Project:						
ADB Grant No. 0294- KGZ(SF)	164,874	3,000,297	1,968,436	2,835,423	743,189	866,987
B) Kyrgyz Electricity Settlement Center:	-	254,175	-	254,175	-	254,175
C) Public Information Program	-	981,057	-	981,057	-	981,057
D) Dam safety assessment	2,071	131,263	25,358	129,192	25,213	103,834
Consultants of the Project	166,945	4,366,792	1,993,794	4,199,847	768,402	2,206,053
Total	166,945	4,366,792	1,993,794	4,199,847	768,402	2,206,053
3. Taxes and payoffs/ payments GKR	-	424,281	229,970	424,281	49,809	194,311
Total ADB Grant No. 0294-KGZ (SF)	166,945	4,366,792	1,993,794	4,199,847	768,402	2,206,053
Total Government of KR	-	424,281	229,970	424,281	49,809	194,311
Total Project expenses	166,945	4,791,073	2,223,764	4,624,128	818,211	2,400,364
Exchange rate difference	0	(95)	0	(95)	0	(95)


A.T. Kadyrbaev

**Vice-Chairman of the State Committee of Industry,
Energy and Subsoil use
of the Kyrgyz Republic**




D.M. Karypbaeva
**Financial Manager of the Second Part of "Power Sector
Rehabilitation" Project**

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

Notes to the Financial Statements

For the periods from 1 January 2019 to 31 December 2019 and from 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 of certain 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 Settlements 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.

According to the Financing Agreement the following categories of eligible expenditures of the second part of the Project can be covered from the proceeds of the ADB.

Implementation of the second part of the Project financed out of the proceeds of the Grant 0294-KGZ(SF):

Category	Grant amount in mln USD	Percentage of expenses at the expense of the Grant
2. Consulting expenses		
b) Kyrgyz Electricity Settlement Center	3.00	100%
c) Public information program	0.40	100%
d) Dam safety assessment	2.00	100%
Total	5.40	100%

As a contribution into the Project expense coverage, on the part of the Government of the Kyrgyz Republic – are taxes and duties at the expense of oncoming financing or exemption from taxes and duties. In addition, the Government ensures that the State Committee of Industry, Energy and Subsoil use of the Kyrgyz Republic have available other financial resources, sufficient for coverage of expenses, such as taxes, duties, or any other obligatory payments.

Date of Project implementation completion, according to the Financing Agreement, is 31 December 2016. Initially, in accordance with the letter of the Asian Development Bank of 13 November 2014 the Project is agreed to be extended and its closing date is confirmed on 30 June 2019.

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

Notes to the Financial Statements

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

The final completion date for the Project is set on 31 December 2019, according to the ADB letter dated 6 May 2019. The liquidation period is from 1 January to 30 April 2020.

The executing agency of the second part of "Power Sector Rehabilitation" Project was the Ministry of Energy and Industry of the Kyrgyz Republic (ME&IKR), responsible for establishment of the Kyrgyz Electricity Settlements Center, a public information program and preparation of a dam safety assessment, determining a policy in the power sector and supervising investments into material and technical component. By the Kyrgyz Republic Government Resolution No.768 dated 16 November 2015 the above mentioned Ministry has been liquidated. Functions of the Ministry of energy and industry with the staff from a central apparatus, financial and material assets have been transferred to the Ministry of Economy of the Kyrgyz Republic and from June 2016 to the State Committee of Industry, Energy and Subsoil use of Kyrgyz Republic.

Before December 2015 the operational management and Project implementation at ME&IKR was performed by the Unit of external relations and projects implementation at ME&IKR, due to the changed structure of the Kyrgyz Republic Government, since December 2015 the operational management and projects implementation at the Ministry of Economy of the Kyrgyz Republic is performed by the Project Implementation Unit of Fuel and Energy Sector (Complex) (PIU) of the Ministry of Economy of the Kyrgyz Republic, starting from July 2016 - by the Project Implementation Unit of the State Committee of Industry, Energy and Subsoil use of the Kyrgyz Republic.

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 "Financial 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.

The amount of financing provided by the Government is recognized as it is and included into the financial reporting if the funds were transferred on a current account of the Project (the Account of governmental financing).

Expenses

The Project expenses are recognized as such and included into financial statements when suppliers and consultants are paid, taxes are paid and deductions to the Social fund are made.

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

Notes to the Financial Statements

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

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 preparation of the financial reporting in USD, expenses incurred in soms at the date when the operation was performed, from:

- Before 31 December 2016 the funds provided by the Government of the Kyrgyz Republic are denominated into USD at the fixed exchange rate in accordance with the Kyrgyz Republic Law On the Republican Budget;
- Since 1 January 2017 the funds provided by the Government of the Kyrgyz Republic are denominated into USD at the fixed exchange rate at the rate of the NBKR at the date of operations;
- ADB funds, soms are denominated to USD at the exchange rate of ADB.

Any income or losses on assets or liabilities, expressed in the foreign currency, arising resulting from changes in exchange rate, were recognized as income or loss from exchange rate difference and reflected on a net basis in the Statement of Sources and Uses of Funds.

2.2. Internal Control System

Project Plan

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

Cash

- Bank accounts reconciliations. The balances on accounts in accordance with the accounting records are reconciled with the bank statements on a monthly basis.
- Reconciliation of loan and grant accounts are regularly performed based on statements of ADB.

Procurement and expending funds

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

Salary

- In PIU, time sheets are maintained and approved by the authorized person - Head of PIU of the State Committee of Industry, Energy and Subsoil use of the Kyrgyz Republic;
- Accounting records are kept in separate files with definite rights of access.

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

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

Notes to the Financial Statements

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

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.

If there is no exemption from VAT on the supply of goods, the tax is paid in the amount of 12% from the delivery in the territory of the Kyrgyz Republic at the expense of funds of the GKR.

The local hired employees pay by themselves the payroll taxes (10%) and fees (10%) from their emoluments to the Social Fund of the Kyrgyz Republic.

The Project pays insurance fees to the Social Fund of the Kyrgyz Republic from an employer at the rate of 17.25% from the emoluments of local hired employees and a tax on non-residents (10% from consultant's honoraria).

4. CASH ASSETS

For the operating financing of expenditure, required for the implementation of the second part of the Project, it was used a special account of financing No.1290534131840068 in soms opened with "RSK Bank" OJSC, financed by the Government of the Kyrgyz Republic.

Cash flows for the reporting period on the account of the Government of the Kyrgyz Republic:

	From 1 January 2020 to 30 April 2020		From 1 January 2019 to 31 December 2019		From 1 January 2018 to 31 December 2018	
	Som	In equivalent US dollar	Som	In equivalent US dollar	Som	In equivalent US dollar
Balance at the beginning	-	-	-	-	-	-
Receipts, replenishment of account	-	-	16,054,000	229,970	3,440,000	49,809
Retirement	-	-	(16,054,000)	(229,970)	(3,440,000)	(49,809)
Balance at the end	-	-	-	-	-	-

5. FINANCING

	From the Project beginning to 30 April 2020	From 1 January 2020 to 30 April 2020	From 1 January 2019 to 31 December 2019	From 1 January 2018 to 31 December 2018
ADB: Grant No.0294-KGZ(SF)				
Direct payment	4,366,792	166,945	1,993,794	768,402
GKR				
Replenishment of current account	424,186	-	229,970	49,809
Total Project financing	4,790,978	166,945	2,223,764	818,211

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

Notes to the Financial Statements

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

6. EXPENSES

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

	Actual expenses for the period from 01 January 2020 to 30 April 2020		
	Grant №0294- KGZ(SF)	GKR	Total expenses
2. Consulting services	166,945		166,945
a) Kyrgyz Electricity Settlements Center. Consultant of Brivus AG Company (Switzerland)	164,874		164,874
b) Public information program. Consultant of "Promotank" LLC	-	-	-
c) Dam Safety Assessment. Consultant of "Temelcu International Engineering Services Inc" (Turkey)	-	-	-
Consultants of the Project (financial manager, translator)	2,071	-	2,071
3. Taxes and payments (tax on non-resident, deductions to Social Fund 17.25%, VAT)	-		-
Total Project expenses	166,945		166,945

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

	Actual expenses for the period from 01 January 2019 to 31 December 2019		
	Grant №0294- KGZ(SF)	GKR	Total expenses
2. Consulting services	1,993,794		1,993,794
a) Kyrgyz Electricity Settlements Center. Consultant of Brivus AG Company (Switzerland)	1,968,436		1,968,436
b) Public information program. Consultant of "Promotank" LLC	-	-	-
c) Dam Safety Assessment. Consultant of "Temelcu International Engineering Services Inc" (Turkey)	-	-	-
Consultants of the Project (financial manager, translator)	25,358	-	25,358
3. Taxes and payments (tax on non-resident, deductions to Social Fund 17.25%, VAT)		229,970	229,970
Total Project expenses	1,993,794	229,970	2,223,764

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

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

Notes to the Financial Statements

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

	Actual expenses for the period from 1 January 2018 to 31 December 2018		
	Grant №0294-KGZ(SF)	GKR	Total expenses
2. Consulting services		-	768,402
a) Kyrgyz Electricity Settlements Center. Consultant of Brivus AG Company (Switzerland)	743,189		743,189
b) Public information program. Consultant of "Promotank" LLC	-	-	-
c) Dam Safety Assessment. Consultant of "Temelcu International Engineering Services Inc" (Turkey)	-	-	-
Consultants of the Project (financial manager, translator)	25,213	-	25,213
3. Taxes and payments (tax on non-resident, deductions to Social Fund 17.25%, VAT)	-	49,809	49,809
Total Project expenses	768,402	49,809	818,211

For the Project implementation period

	Actual expenses for the Project implementation period		
	Grant №0294-KGZ(SF)	GKR	Total expenses
Consulting services	4,366,792	-	4,366,792
a) Kyrgyz Electricity Settlements Center. Consultant of Brivus AG Company (Switzerland)	3,000,297		3,000,297
b) Public information program. Consultant of "Promotank" LLC	254,175		254,175
c) Dam Safety Assessment. Consultant of "Temelcu International Engineering Services Inc" (Turkey)	981,057		981,057
Consultants of the Project (financial manager, translator)	131,263		131,263
3. Taxes and payments (tax on non-resident, deductions to Social Fund 17.25%, VAT)	-	424,281	424,281
Total Project expenses	4,366,792	424,281	4,791,073

To provide services on the item «Kyrgyz Electricity Settlement Center» between MEIKR and the Swiss Engineering Brivus AG Company, delivering specialized services in the power-generating sector it was concluded a contract on 28 September 2017, the contract was approved by the ADB on a maximum amount of USD 2,908,300, excluding local indirect taxes and the tax on non-resident, excluding local indirect taxes and non-resident tax. The contract has been executed and the last payment was made on 21 April 2020.

To provide services on the item "Public Information Program" on 12 June 2014 MEIKR and "Promotank" LLC concluded a contract in the amount of 15,259,000 soms. The contract received the immunity from indirect taxes on the part of the Ministry of Economy of the Kyrgyz Republic. On 13 November 2014 with the approval of the ADB terms and conditions of the contract were revised, including terms of payment. In July 2015 the works were completely finished, and the last payment was made on 23 November 2015.

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

Notes to the Financial Statements

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

To provide services on the item "Dam Safety Assessment" on 2 June 2014 it was concluded a contract between the MEIKR and "Temelcu International Engineering Services Inc" (Turkey), the contract was approved by the ADB in the amount of USD 1,215,200 and KGS 21,510,000. The contract received the immunity from indirect taxes on the part of the Ministry of Economy of the Kyrgyz Republic. In 2017 the Contract was executed.

To provide services on the item "Consultants of the Project", in 2014 there were concluded contracts with individual consultants (financial manager, procurement specialist, and translator) for a period of 18 months in the total amount of 141,000 USD. The ADB approved the engaged specialists. The latest changes in contracts with local consultants include the Changes No.9 dated 01.07.2019 to the contract PSRP-CS-001 dated 03.04.2014 concluded with the financial manager – the contract was extended till 31.12.2019, the total contractual amount was changed to 5,644,001.22 soms. In 2019 the contract was executed.

In connection with the replacement of the translator, with the consent of ADB on 04.01.2017 it was concluded a contract PSRP-CS-005 on rendering the translation services. The latest changes in the contracts with local consultants include changes No.5 dated 01.07.2019 in the contract PSRP-CS-005 dated 04.01.2017 concluded with a translator - the contract was extended till 03.12.2019 and the total contract amount was changed to 1,873,050.00 soms. In 2019, the Contract was completed.

7. UNPAID LIABILITIES

As of 30 April 2020 the Project had unpaid liabilities for non-resident tax on the part of financing from GKR:

Item	Substantiation	Period	Amount in USD
Tax on non-resident	Invoices on rendering consulting services by «Brivus» Company	2017-2020	90,023
Total			90,023

8. BUDGET EXECUTION OF THE PROJECT SECOND PART

From the Project beginning the budget execution of the Project, under ADB Grant No. 0294-KGZ (SF), by categories is as follows:

Item	Funds used from the beginning of the Project		Total project budget	Balance of Project funds (budget-actual)	
	amount	%		amount	%
2. Consulting expenses					
b) Kyrgyz Electricity Settlement Center	3,000,297	100%	3,000,000	(297)	0%
c) Public Information Program	254,175	64%	400,000	145,825	36%
d) Dam security assessment	981,057	49%	2,000,000	1,018,943	51%
Consultants of the Project	131,263			(131,263)	
Total	4,366,792	81%	5,400,000	1,033,208	19%


Second Part of “Power Sector Rehabilitation” Project
Loan No. 2869-KGZ (SF)/Grant No.0294KGZ (SF)

Notes to the Financial Statements

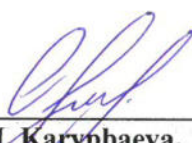
For the periods from 1 January 2019 to 31 December 2019 and from 1 January 2020 to 30 April 2020
(Amounts in Tables are shown in US dollars)

9. EVENTS AFTER THE REPORTING DATE

After the reporting date to the approval of the financial statements no events occurred, which could affect the disclosures in the financial statements.



A.T. Kadyrbaev
Vice-Chairman of the State Committee of
Industry, Energy and Subsoil use
of the Kyrgyz Republic



D.M. Karypbaeva,
Financial Manager of the Second Part of “Power
Sector Rehabilitation” Project