LOCAL ROADS IMPROVEMENT PROJECT

WORLD BANK and
INTERNATIONAL DEVELOPMENT ASSOCIATION
Financing Agreement
Credit No. 5747-MD dated 28 April 2016

SPECIAL PURPOSE FINANCIAL SCHEDULES
FOR THE PERIOD ENDED 31 DECEMBER 2017
## CONTENTS

<table>
<thead>
<tr>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Opinion</td>
<td>3-5</td>
</tr>
<tr>
<td>Summary of Sources and Uses of Funds</td>
<td>6</td>
</tr>
<tr>
<td>Summary of Uses of Funds by Project Activities</td>
<td>7</td>
</tr>
<tr>
<td>General Information</td>
<td>8</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS’ REPORT

To the management of
Local Roads Improvement Project ("LRIP Project")
Chișinău, Republic of Moldova

Report on the special-purpose Financial Schedules

Opinion

We have audited the Financial Schedules of the Local Roads Improvement Project ("LRIP Project") which comprise the Project Sources and Uses of Funds for the year ended 31 December 2017 and Uses of Funds by Project Activities for the year ended 31 December 2017 ("the Financial Schedules").

In our opinion, the accompanying Financial Schedules of the Local Roads Improvement Project for the year ended 31 December 2017 have been prepared in all material respects, in conformity with cash basis of accounting and the financial reporting provisions requirements of Section 4.09 of the Financing Agreement No. 5747-MD dated April 28, 2016 between Republic of Moldova and International Development Association.

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 Financial Schedules section of our report. We are independent of the Project in accordance with ethical requirements that are relevant to our audit of the Financial Schedules in Republic of Moldova, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 to the Financial Schedules, which describes the basis of accounting. The Financial Schedules are prepared to assist the Project in complying with the financial reporting provisions of the contract referred to above. As a result, the Financial Schedules may not be suitable for another purpose. Our report is intended solely for the International Development Association. Our opinion is not modified in respect of this matter.
Management is responsible for the preparation of the Financial Schedules in accordance with the cash basis of accounting and the financial reporting provisions requirements of Section 4.09 of the Financing Agreement No. 5747-MD dated April 28, 2016 between Republic of Moldova and International Development Association and for such internal control as management determines is necessary to enable the preparation of Financial Schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial schedules, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Schedules

Our objectives are to obtain reasonable assurance about whether the Financial Schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue and 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 a basis of these Financial Schedules.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain and 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 Schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusion 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.
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.

MOORE STEPHENS KSC,

Chișinău, Moldova
12 December 2018
LOCAL ROADS IMPROVEMENT PROJECT  
SUMMARY OF SOURCES AND USES OF FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 2017  
(all amounts are stated in USD unless otherwise mentioned)

For the year ended  
31 December 2017  
Cumulative to date

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>For the year ended 31 December 2017</th>
<th>Cumulative to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank</td>
<td>3,523,011</td>
<td>5,453,403</td>
</tr>
<tr>
<td>Total Loan Financing</td>
<td>3,523,011</td>
<td>5,453,403</td>
</tr>
</tbody>
</table>

LESS: APPLICATION OF FUNDS BY COMPONENTS

<table>
<thead>
<tr>
<th>Component</th>
<th>For the year ended 31 December 2017</th>
<th>Cumulative to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1</td>
<td>(1,703,648)</td>
<td>(1,763,473)</td>
</tr>
<tr>
<td>Component 2</td>
<td>(588,295)</td>
<td>(1,084,271)</td>
</tr>
<tr>
<td>Total Application of Funds</td>
<td>(2,291,943)</td>
<td>(2,847,744)</td>
</tr>
</tbody>
</table>

Loan Financing less Application of Funds  
1,231,068  
2,605,659

<table>
<thead>
<tr>
<th>Cash Flow</th>
<th>For the year ended 31 December 2017</th>
<th>Cumulative to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total opening cash</td>
<td>1,374,591</td>
<td>2,605,659</td>
</tr>
<tr>
<td>Total closing cash</td>
<td>2,605,659</td>
<td>2,605,659</td>
</tr>
</tbody>
</table>

The financial schedules and accompanying notes on page 8 were signed and approved on behalf the Project’s management on 12 December 2018 by:

Gheorghe CURMEI  
General Manager

Silvia CHEIBAS  
Chief-Accountant
### Summary of Uses of Funds for Project Activities

**Local Roads Improvement Project**

<table>
<thead>
<tr>
<th>Activity</th>
<th>2017-01</th>
<th>2017-02</th>
<th>2017-03</th>
<th>2017-04</th>
<th>2017-05</th>
<th>2017-06</th>
<th>2017-07</th>
<th>2017-08</th>
<th>2017-09</th>
<th>2017-10</th>
<th>2017-11</th>
<th>2017-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**TOTAL**

<table>
<thead>
<tr>
<th>Month</th>
<th>2017-01</th>
<th>2017-02</th>
<th>2017-03</th>
<th>2017-04</th>
<th>2017-05</th>
<th>2017-06</th>
<th>2017-07</th>
<th>2017-08</th>
<th>2017-09</th>
<th>2017-10</th>
<th>2017-11</th>
<th>2017-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**For the Period to December 2017**

For the year ended 31 December 2017
1. GENERAL INFORMATION

The Government of the Republic of Moldova is implementing a Road Sector Program (the Project) financed by the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), European Commission (EC), World Bank (WB) and International Development Association (IDA) together referred to as International Financial Institutions (IFIs). The Government is represented by the Ministry of Transport and Road Infrastructure (MTRI), and the Implementing Agency is the State Road Administration (SRA).

The Project is in direct support of the Government’s overall Road Sector Program as laid out in the Action Plan of the Land Transport Infrastructure Strategy for 2008-2017, and has two components:

- Physical road rehabilitation
- Institutional and other strengthening measures.

The Project is financed through separate financing agreements between the Government of the Republic of Moldova and WB.

Funding Credits

The credit numbers for the first IFI credits are as follows:

- EBRD Loan Agreement No. 37671, dated 28th June 2007;
- EIB Finance Contract Serapis No. 2006/0485, dated 28th June 2007;

In addition, further credit agreements were made in 2010, 2011, 2013, 2015 and 2016, and their references are:

- EBRD Loan Agreement No. 41442, dated 29th October 2010;
- EBRD Loan Agreement No. 45094, dated 28th June 2013;
- EIB Finance Contract No. 81.723, dated 2011/0650, dated 25th June 2013;
- EBRD Grant Agreement No 45094, dated 05th May 2015;

2. ACCOUNTING POLICY

These Financial Schedules have been prepared by management in accordance with the requirements of cash accounting and the IDA Financing Agreement, Credit No. 5747-MD dated 28 April 2016. On this basis sources of funds are recognized when received rather than earned, and uses are recognized when paid rather than when incurred.