

**“Electricity Supply Accountability and Reliability
Improvement Project”
Grant No. H972-KG, Credit No. 5515-KG**

Special purpose project financial statements
for the year ended December 31, 2017

and independent auditors’ report

**“ELECTRICITY SUPPLY ACCOUNTABILITY AND RELIABILITY IMPROVEMENT PROJECT”
GRANT NO. H972-KG, CREDIT NO. 5515-KG**

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STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

The following statement, which should be read in conjunction with the independent auditors’ responsibilities stated in the independent auditors’ report, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the special purpose project financial statements of the Project “Electricity supply accountability and reliability improvement project”, Grant No. H972-KG and Credit No. 5515-KG (the “Project”).

The Project Management is responsible for the preparation of the special purpose project financial statements that present fairly, in all material respects, the statement of cash proceeds and disbursements and the statement of uses of funds by project components of the Project for the year ended December 31, 2017 in accordance with International Public Sector Accounting Standard “Financial Reporting Under the Cash Basis of Accounting” (the “IPSAS”) issued by the International Public Accounting Standards Board of the International Federation of Accountants and the World Bank’s Financial Management Sector Board’s “Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities” (the “WB Guidelines”).

In preparing the special purpose project financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IPSAS and WB Guidelines have been followed, subject to any material departures disclosed and explained in the special purpose project financial statements; and
- preparing the special purpose project financial statements on a going concern basis, unless it is inappropriate to presume that the Project will continue its activity for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining effective and sound system of internal control and for revealing risks in system of internal control in the Project;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Project, and which enable them to ensure that the special purpose project financial statements of the Project comply with IPSAS and WB Guidelines;
- compliance with laws and regulations of the Kyrgyz Republic, accounting system of the Project and the requirements of the World Bank;
- taking such steps as are reasonably available to them to safeguard the assets of the Project; and
- detecting and preventing fraud and other irregularities.

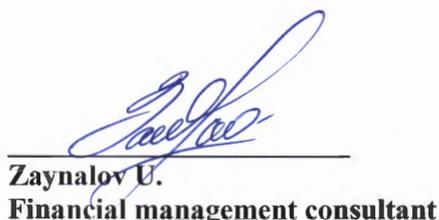
The special purpose project financial statements for the year ended December 31, 2017 were approved and authorized for issue on May 4, 2018 by the management of the Project.

On behalf of the Management:



Kadyrkulov I.
General Director of OJSC “Severelectro”

May 4, 2018
Bishkek, the Kyrgyz Republic



Zaynalov U.
Financial management consultant

May 4, 2018
Bishkek, the Kyrgyz Republic



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INDEPENDENT AUDITORS' REPORT

To the management of the Project "Electricity supply accountability and reliability improvement project" under the Open Joint-Stock Company "Severelectro":

Opinion

We have audited the special purpose project financial statements of the Project "Electricity supply accountability and reliability improvement project" (the "Project") which comprise the statement of cash proceeds and disbursements and the statement of uses of funds by project components for the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information (the "special purpose project financial statements").

In our opinion, the accompanying special purpose project financial statements present fairly, in all material respects, cash proceeds and disbursements and uses of funds by project components of the Project for the year ended December 31, 2017 in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, and the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines").

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 special purpose project financial statements section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the special purpose project financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the special purpose project financial statements which describe the basis of accounting. These special purpose project financial statements were prepared for complying with the appropriate World Bank Guidelines and Financing agreement requirements.

Other matter

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

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

Management is responsible for the preparation and fair presentation of the special purpose project financial statements in accordance with International Public Sector Accounting Standard “Financial Reporting Under the Cash Basis of Accounting” (the “IPSAS”) issued by the International Public Accounting Standards Board of the International Federation of Accountants, and the World Bank’s Financial Management Sector Board’s “Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities” (the “WB Guidelines”), and for such internal control as management determines is necessary to enable the preparation of the special purpose project financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibilities for the audit of the special purpose project financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the special purpose project financial statements.

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

- Identify and assess the risks of material misstatement of the special purpose project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the special purpose project financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the special purpose project financial statements, including the disclosures, and whether the special purpose project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Kubat Alymkulov

Certified accountant, FCCA
Certificate of auditor of the Kyrgyz Republic No. A 0069
Audit Director, Baker Tilly Bishkek LLC

“Baker Tilly Bishkek” LLC,
License Series A No. 0049 issued by the State Committee
on Review and Regulation of the financial market of
the Kyrgyz Republic

May 4, 2018
Bishkek, the Kyrgyz Republic

**“ELECTRICITY SUPPLY ACCOUNTABILITY AND RELIABILITY IMPROVEMENT PROJECT”
GRANT NO. H972-KG, CREDIT NO. 5515-KG**

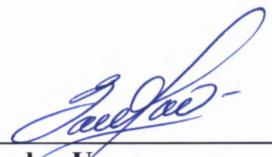
**STATEMENT OF CASH PROCEEDS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**
(in US dollars)

	Notes	For the year ended December 31, 2017	Cumulative	For the year ended December 31, 2016	Cumulative
Opening balance	4	340,655	-	-	-
Funds received					
Grant No. H972-KG	5	6,515,781	10,166,567	3,650,786	3,650,786
Credit No. 5515-KG	5	4,604,661	4,604,661	-	-
Total funds received		11,120,442	14,771,228	3,650,786	3,650,786
Other income	6	10,553	15,177	4,624	4,624
Total receipts		11,130,995	14,786,405	3,655,410	3,655,410
Project expenses					
Goods	7	2,200,003	4,559,618	2,359,615	2,359,615
Works	7	8,375,592	9,221,592	846,000	846,000
Consultants' services	7	67,278	131,946	64,668	64,668
Operating costs	7	57,956	102,138	44,182	44,182
Total project expenses		10,700,829	14,015,294	3,314,465	3,314,465
Other expenses		1,336	1,598	262	262
Foreign exchange rate (gain)/loss		(149)	(121)	28	28
Closing balance	4	769,634	769,634	340,655	340,655

On behalf of the Management:


Kadyrkulov I.
General Director of OJSC "Severelectro"

May 4, 2018
Bishkek, the Kyrgyz Republic


Zaynalov U.
Financial management consultant

May 4, 2018
Bishkek, the Kyrgyz Republic

The notes on pages 8-19 form an integral part of the special purpose project financial statements.
The independent auditors' report is on pages 3-5.

**“ELECTRICITY SUPPLY ACCOUNTABILITY AND RELIABILITY IMPROVEMENT PROJECT”
GRANT NO. H972-KG, CREDIT NO. 5515-KG**

**STATEMENT OF USES OF FUNDS BY PROJECT COMPONENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

(in US dollars)

	For the year ended December 31, 2017	Cumulative	For the year ended December 31, 2016	Cumulative
Component 1: Distribution infrastructure strengthening	10,575,595	13,781,210	3,205,615	3,205,615
Component 2: Customer service and corporate management system	-	-	-	-
Component 3: Institutional strengthening and project implementation support	125,234	234,084	108,850	108,850
	<u>10,700,829</u>	<u>14,015,294</u>	<u>3,314,465</u>	<u>3,314,465</u>

On behalf of the Management:



Kadyrkulov I.
General Director of OJSC Severelectro

May 4, 2018
Bishkek, the Kyrgyz Republic

Zaynalov U.
Financial management consultant

May 4, 2018
Bishkek, the Kyrgyz Republic

The notes on pages 8-19 form an integral part of the special purpose project financial statements.
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**“ELECTRICITY SUPPLY ACCOUNTABILITY AND RELIABILITY IMPROVEMENT PROJECT”
GRANT NO. H972-KG, CREDIT NO. 5515-KG**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

(in US dollars)

1. GENERAL INFORMATION

According to the Financing Agreement between the Kyrgyz Republic and the International Development Association (the “IDA”) signed on April 7, 2015, the IDA provided a Grant No. H972-KG in amount of 7,300,000 Special Drawing Rights and Credit No. 5515-KG in amount of 8,900,000 Special Drawing Rights to the Kyrgyz Republic.

According to the decree No.606-p of the Government of the Kyrgyz Republic dated December 11, 2015 in order to implement Financing Agreement between the Kyrgyz Republic and the International Development Association (the “IDA”) signed on April 07, 2015 in Bishkek ratified by the Law of the Kyrgyz Republic No.158 dated July 14, 2015, the Ministry of Finance of the Kyrgyz Republic was instructed to provide IDA funds in amount of 16,200,000 Special Drawing Rights, which is equivalent to 25,000,000 US dollars, in the form of loan to OJSC “Severelectro” for the implementation of the “Electricity supply accountability and reliability improvement project”.

The Grant and Credit were provided for the Project “Electricity supply accountability and reliability improvement project” (the “Project”).

Effective date of the Project is December 29, 2015, initial financing was provided to the Project on June 2, 2016 in the form of advance. Project completion date is December 31, 2019.

Project purpose

The objective of the Project is to improve the reliability of electricity supply by OJSC “Severelectro” (the “Company”) and strengthen the governance of the Company’s operations.

The Project comprises the following components:

Component 1: Distribution infrastructure strengthening;

Component 2: Customer service and corporate management system improvement;

Component 3: Institutional strengthening and project implementation support.

Component 1: Distribution infrastructure strengthening

This component will help to reduce technical losses and improve power supply reliability by supporting investments that strengthen the distribution infrastructure of the Company. The scope of this component is defined based on Company’s five year investment plan, which identifies a comprehensive set of investments in high-, medium- and low- voltage cables, overhead lines, substations, power transformers, circuit breakers, meters and other assets of the power distribution infrastructure operated by the Company. The plan includes investments in new assets to eliminate overloads, as well as rehabilitation and upgrading of existing assets.

Component 2: Customer service and corporate management system improvement

This component will provide the Company with management information tools to improve quality of services provided to its customers (electricity supply and commercial matters), and to enhance overall efficiency, transparency and accountability of its performance in all business areas. To that end, the component will finance supply, installation and commissioning of the Management information systems (the “MISs”) and training of the Company’s staff to apply them. The MISs will be set-up company-wide and will cover all three key areas of the Company’s operations: commercial function, corporate management, and power network planning and operations. The incorporation of the MISs will be accompanied by reengineering of relevant business processes of the Company in all key areas, aimed to maximize the use of functionalities provided by the new management tools, make the company operations more customer-oriented and efficient, and their execution transparent and accountable, both internally and to external stakeholders.

Component 3: Institutional Strengthening and Project Implementation Support

This component will support two key activities for the smooth implementation of the project and sustainability of project outcomes: (i) implementation support for project management, including monitoring and evaluation of project results and incremental operating expenses of the PIU under the Company; and (ii) technical assistance to the Company to strengthen company-wide procurement and financial management capacity, improve the business processes of the Company and make it more customer-focused. The technical assistance will complement the incorporation of the relevant MISs, help to improve governance within the Company and include: (a) strengthening the institutional framework and performance related to corporate procurement functions; (b) strengthening the Company’s capacity in accounting and financial management functions; (c) business process improvements related to the commercial management function of the Company to ensure customer-focused execution of all the commercial activities.

Project management

OJSC “Severelectro” is the implementing entity of the Project. The daily implementation of the Project is performed by Project Implementation Unit (the “PIU”) of OJSC “Severelectro” based on Operation Manual. The staff of PIU was selected based on technical requirements approved by the World Bank. During implementation of the Project the PIU will attract appropriate experts from OJSC “Severelectro”.

2. PRESENTATION OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

Basis of preparation

These special purpose project financial statements have been prepared in accordance with the International Public Sector Accounting Standard (the “IPSAS”) “Financial Reporting under the Cash Basis of Accounting” issued by the Public Sector Committee of the International Federation of Accountants, and incorporate the following principal accounting policies, which have been consistently followed in all material respects and comply with the World Bank’s Financial Management Sector Board’s “Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities” (the “WB Guidelines”).

Under the cash basis approach income (or expenditure) is recognized when cash is received (or paid) irrespective of when goods or services are received or provided.

The Project’s approved budget disclosed by categories of expenses is not publicly available and as such comparison of budget and actual amounts is not presented.

These special purpose project financial statements consist of:

- Statement of cash proceeds and disbursements;
- Statement of uses of funds by project components;
- Notes to the special purpose project financial statements, including short description of main statements of accounting policy and other descriptive notes.

The reporting currency of these special purpose project financial statements is US dollars (the “USD”).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash basis of accounting

The special purpose project financial statements are prepared on a cash basis of accounting. The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the Project. The special purpose project financial statements prepared under the cash basis provide readers with information about the sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date. The measurement focus in the special purpose project financial statements is balances of cash and changes therein.

Foreign currency

Operations in foreign currency initially are accounted in functional currency using the official currency exchange rate settled by commercial bank on a date of operation.

Funds received are converted to US dollars (the “USD”) at World Bank official exchange rate of Special Drawing Rights (the “SDR”) on a date of receiving funds.

All payments made in local currency are translated into USD at official exchange rate defined by commercial bank at the date of transaction.

Monetary assets and liabilities expressed in foreign currency are converted to functional currency at official exchange rate on a date settled by commercial bank.

All foreign exchange differences resulted from maturity or recounting are included in statement of cash proceeds and disbursements.

Non-monetary items are valued according to their historic cost in foreign currency, which are recalculated on rates of the initial operation date.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and due from banks, which can be converted to the corresponding amount of cash in the short term.

Taxes

Calculation and payment of personal income tax and social security contributions from income of local staff and consultants is made in accordance with the requirements and rates of the Tax Code of the Kyrgyz Republic and relevant legislation of the Kyrgyz Republic.

Project expenses

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

Sources of funds

The funds were provided by the World Bank to the Project by advance, replenishment of designated account or through direct payment to the end supplier of goods and/or services.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2017 and 2016 comprise:

	Currency	December 31, 2017	December 31, 2016
Designated account of Grant No. H972-KG	USD	155,915	336,300
Designated account of Credit No. 5515-KG	USD	600,000	-
Transit account of Grant No. H972-KG	KGS	-	1
Interest account	USD	7,376	2,302
Tender account	USD	3,359	1,269
Tender account	EUR	120	-
Tender account	KGS	2,864	783
		<u>769,634</u>	<u>340,655</u>

5. FUNDS RECEIVED

The funds received are presented by the following financing methods and sources of financing:

	For the year ended December 31, 2017			Grant No. H972-KG	Cumulative Credit No. 5515-KG	Total
	Grant No. H972-KG	Credit No. 5515-KG	Total			
Special commitment	-	-	-	1,262,144	-	1,262,144
Direct payments	4,782,981	4,004,661	8,787,642	5,899,223	4,004,661	9,903,884
Advance / Initial deposit	458,569	600,000	1,058,569	1,321,336	600,000	1,921,336
Replenishment of designated account ("DA") / Statement of expenditures ("SOE")	1,274,231	-	1,274,231	1,683,864	-	1,683,864
	<u>6,515,781</u>	<u>4,604,661</u>	<u>11,120,442</u>	<u>10,166,567</u>	<u>4,604,661</u>	<u>14,771,228</u>

	For the year ended December 31, 2016		Cumulative	
	Grant No. H972-KG	Total	Grant No. H972-KG	Total
Special commitment	1,262,144	1,262,144	1,262,144	1,262,144
Direct payments	1,116,242	1,116,242	1,116,242	1,116,242
Advance / Initial deposit	862,767	862,767	862,767	862,767
Replenishment of designated account ("DA") / Statement of expenditures ("SOE")	409,633	409,633	409,633	409,633
	<u>3,650,786</u>	<u>3,650,786</u>	<u>3,650,786</u>	<u>3,650,786</u>

6. OTHER INCOME

Other income of the Project comprises of the following:

	For the year ended December 31, 2017	Cumulative
Interest income	6,411	8,969
Sale of tender documents	4,142	6,208
	<u>10,553</u>	<u>15,177</u>

	For the year ended December 31, 2016	Cumulative
Interest income	2,558	2,558
Sale of tender documents	2,066	2,066
	<u>4,624</u>	<u>4,624</u>

7. PROJECT EXPENSES

Project expenses on major categories are presented in the statement of cash proceeds and disbursements. Project expenses by components are presented in the statement of funds by project components. The breakdown of project expenses by sub-categories and sources of financing is presented as follows:

Goods, works, non-consulting services, consultants' services, training and incremental operating costs for the project

	For the year ended December 31, 2017			Grant No. H972-KG	Cumulative Credit No. 5515-KG	Total
	Grant No. H972-KG	Credit No. 5515-KG	Total			
Goods	779,203	1,420,800	2,200,003	3,138,818	1,420,800	4,559,618
Works	5,791,731	2,583,861	8,375,592	6,637,731	2,583,861	9,221,592
Consultants' services	67,278	-	67,278	131,946	-	131,946
Operating costs:						
Payroll and related taxes	35,487	-	35,487	73,349	-	73,349
Audit expenses	9,520	-	9,520	9,520	-	9,520
Accounting software 1C	5,700	-	5,700	5,700	-	5,700
Advertising expenses	3,797	-	3,797	7,596	-	7,596
Stationery	392	-	392	1,493	-	1,493
Bank fees	4	-	4	647	-	647
Other	3,056	-	3,056	3,833	-	3,833
	<u>6,696,168</u>	<u>4,004,661</u>	<u>10,700,829</u>	<u>10,010,633</u>	<u>4,004,661</u>	<u>14,015,294</u>

Goods, works, non-consulting services, consultants' services, training and incremental operating costs for the project

	For the year ended December 31, 2016 Grant No. H972-KG	Cumulative Grant No. H972-KG
Goods	2,359,615	2,359,615
Works	846,000	846,000
Consultants' services	64,668	64,668
Operating costs:		
Payroll and related taxes	37,862	37,862
Advertising expenses	3,799	3,799
Stationery	1,101	1,101
Bank fees	643	643
Other	777	777
	<u>3,314,465</u>	<u>3,314,465</u>

8. FINANCIAL POSITION

Financial position as at December 31, 2017 and 2016 comprise:

	December 31, 2017	December 31, 2016
ASSETS AND EXPENSES		
Cash and cash equivalents	769,634	340,655
Cumulative project expenses	14,015,294	3,314,465
Foreign exchange loss	-	28
Other expenses	1,598	262
	<u>14,786,526</u>	<u>3,655,410</u>
FINANCING		
Funds received	14,771,228	3,650,786
Foreign exchange gain	121	-
Other income	15,177	4,624
	<u>14,786,526</u>	<u>3,655,410</u>
TOTAL ASSETS AND EXPENSES	<u>14,786,526</u>	<u>3,655,410</u>
TOTAL FINANCING	<u>14,786,526</u>	<u>3,655,410</u>

9. WITHDRAWAL APPLICATIONS

Withdrawal applications for the year ended December 31, 2017 comprise:

Sources of financing	No.	Date	Advance payments	Direct payments	Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for the Project	Total
Grant No. H972-KG						
	9*	May 18, 2017	-	-	-	-
	10	June 7, 2017	458,569	-	-	458,569
	11	June 28, 2017	-	230,850	-	230,850
	12	June 28, 2017	-	-	143,654	143,654
	13	August 2, 2017	-	1,392,000	-	1,392,000
	16	August 17, 2017	-	600,131	-	600,131
	17	August 21, 2017	-	-	475,705	475,705
	15	August 25, 2017	-	224,000	-	224,000
	14	August 28, 2017	-	2,336,000	-	2,336,000
	18	September 13, 2017	-	-	524,872	524,872
	23	November 15, 2017	-	-	130,000	130,000
	26*	December 18, 2017	-	-	-	-
			458,569	4,782,981	1,274,231	6,515,781

* Withdrawal applications No. 9 and No. 26 under Grant No. H972-KG were provided as reports of spend funds for total amount of 521,335.14 US dollars and 214,226.26 US dollars, respectively. There were not requests for reimbursement of funds, as results no payments were made by World Bank.

Sources of financing	No.	Date	Advance payments	Direct payments	Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for the Project	Total	
Credit No. 5515-KG	19	October 2, 2017	-	800,000	-	800,000	
	20	October 3, 2017	-	399,500	-	399,500	
	21	October 10, 2017	-	1,260,800	-	1,260,800	
	22	October 10, 2017	-	298,393	-	298,393	
	24	November 21, 2017	-	217,240	-	217,240	
	25	December 6, 2017	-	221,850	-	221,850	
	27	December 8, 2017	-	160,000	-	160,000	
	28	December 26, 2017	600,000	-	-	600,000	
	29	December 26, 2017	-	93,578	-	93,578	
	30	December 26, 2017	-	553,300	-	553,300	
				<u>600,000</u>	<u>4,004,661</u>	<u>-</u>	<u>4,604,661</u>
				<u>1,058,569</u>	<u>8,787,642</u>	<u>1,274,231</u>	<u>11,120,442</u>

10. DESIGNATED ACCOUNT

Designated account for the year ended December 31, 2017 and 2016 comprise:

<i>Source of financing</i>	Credit No. 5515-KG	Grant No. H972-KG
<i>Bank</i>	"Optima Bank", OJSC	"Optima Bank", OJSC
<i>Currency</i>	US Dollars	US Dollars
<i>Bank account</i>	1091528235570138	1091528235570138
<i>Bank's location</i>	493 Zhibek Zholu str., Bishkek, the Kyrgyz Republic	
Balance as at December 1, 2016	-	-
Advance / Initial deposit	-	862,767
Replenishment of DA / SOE	-	409,633
Total funds received to the designated account	-	1,272,400
Expenses paid	-	936,100
Balance as at December 31, 2016	-	336,300
Advance / Initial deposit	600,000	458,569
Replenishment of DA / SOE	-	1,274,231
Total funds received to the designated account	600,000	1,732,800
Expenses paid	-	671,183
Transferred to transit accounts	-	1,242,002
Balance as at December 31, 2017	600,000	155,915

11. UNDRAWN FUNDS

As at December 31, 2017 undrawn funds are presented as follows:

	Grant No. H972-KG in SDR	Credit No. 5515-KG in SDR
Approved financing	7,300,000	8,900,000
Disbursed amount from June 2, 2016 to December 31, 2017	7,297,675	3,260,607
Undrawn amount	2,325	5,639,393
	Grant No. H972-KG in SDR	Credit No. 5515-KG in SDR
Financing received as at January 1, 2017	2,679,752	-
Disbursed during 2017	4,617,923	3,260,607
Financing received as at December 31, 2017	7,297,675	3,260,607

12. COMMITMENTS

In the normal course of activities, the Project concludes agreements with suppliers of goods and services in accordance with the established budget and procurement plan.

As at December 31, 2017 the Project had following commitments:

Counterparty	Contract No.	Currency	Contract value	Paid up to December 31, 2017	Remaining amount to be paid
Pestech & Speco Joint Venture	IDA-ESARIP-ICB-CW-2014-1	US dollars	8,850,243	8,099,204	751,039
“Er Ust” LLC	IDA-ESARIP-ICB-2014-3	Kyrgyz som	16,200,000	15,637,403	562,597
Ningbo Sanxing Medical & Electric Co LTD	IDA-ESARIP-ICB-2014-8	US dollars	1,600,000	1,580,800	19,200
“Estralin Power Systems” LLC	IDA-ESARIP-ICB-CW-2014-6	US dollars	3,995,000	399,500	3,595,500
“Baker Tilly Bishkek” LLC	IDA-ESARIP-LSC-2014-4	US dollars	38,080	9,520	28,560
Carlos Garsia Sposto	IDA-ESARIP-IC-2016-3	US dollars	50,778	40,000	10,778
Jurgen Faulstich-Sallmann	IDA-ESARIP-IC-2016-1	US dollars	57,944	10,339	47,605
Murod Sattarov	IDA-ESARIP-CS-IC-2014-1	US dollars	86,556	75,607	10,949
Veaceslav Sochin	IDA-ESARIP-IC-2016-4	US dollars	23,944	6,000	17,944
Dmitry Shamanov	IDA-ESARIP-IC-2016-7	US dollars	26,222	-	26,222
Askhat Kutmanov	IDA-ESARIP-IC-2017-1	Kyrgyz som	186,000	132,092	53,908

13. LEGAL CASES

There were no any legal cases related to the Project.

14. EVENTS AFTER THE REPORTING DATE

During 2018 until the date of issue of these special purpose project financial statements no significant events or transactions occurred which should be disclosed in the special purpose project financial statements.