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**UKRAINE NATIONAL ELECTRICITY REGULATORY
COMMISSION
INTERNATIONAL ACCOUNTING STANDARDS FOR REGULATORY
REPORTING (TASK A2)
NIS Institutional Based Services Under the Energy Efficiency
and Market Reform Project
Contract No CCN-Q-00-93-00152-00**

Ukraine Power Sector Reform

Final Report

Prepared for

U S Agency for International Development
Bureau for Europe and NIS
Office of Environment, Energy and Urban Development
Energy and Infrastructure Division

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CONTENTS

Table of Contents

Executive Summary

Chapter 1 Introduction

1 1	Background on NERC and the Licensees	1-1
1 2	Scope of the Project	1-2
1 3	Existing Reporting Requirements	1-3
1 3 1	NERC Requirements	1-3
1 3 2	Other Requirements	1-3

Chapter 2 Approach

Chapter 3 Accounting and Reporting in an IAS Environment

3 1	What is IAS?	3-1
3 2	What Does IAS Mean to Ukraine?	3-1
3 3	What Does This Mean For the Electricity Sector?	3-2

Chapter 4 Oblenergo Requirements

Chapter 5 Generation Company Requirements

Chapter 6 Other Licensee Requirements

Chapter 7 Summary and Conclusions

Appendix A Attachments

EXECUTIVE SUMMARY

The purpose of this project is to provide guidance on accounting and reporting standards for the National Electricity Regulatory Commission (NERC) of Ukraine to use in its oversight role of the licensees it regulates. This report is in satisfaction of one of the Tasks under Delivery Order No 18, specifically, NERC Task A (2) "Prepare report describing minimum requirements of IAS accounting package to satisfy regulatory needs and on recommended implementation phases for regulatory accounting standards"

The NERC licensees currently are not currently required to keep their books or report their financial condition in accordance with International Accounting Standards. However, several of the generating companies and local electric companies have had limited restatement of their accounts into IAS. NERC should encourage the entities it regulates to follow International Accounting standards for several reasons. IAS provides a more transparent system of accounting and reporting and this facilitates the regulatory and oversight process. Also, individual lines of business (for example electric distribution and heating at an oblenergo) are easier to separate. As the tariff process moves forward, IAS income and asset accounting will make it easier for NERC to be able to compute and measure return on investment.

In satisfaction of another task under this Delivery Order, Hagler Bailly provided to the NERC Staff a comprehensive set of regulatory accounting and reporting requirements for each of the six groups of licensees, including forms to use to comply with those requirements. Those requirements are in accordance with Ukrainian accounting, which the enterprises are required to continue to follow. This report provides NERC with recommendations on the adoption of IAS reporting guidelines for those licensees which also decide to keep their accounts in accordance with IAS on an ongoing basis.

The information also draws on lessons learned on two other projects on this delivery order - the restatement of the accounts of two oblenergos to IAS and the analysis of available software packages to perform IAS.

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND ON NERC AND THE LICENSEES

The National Electricity Regulatory Commission (NERC) is a permanent independent non-departmental public agency which is responsible for the regulation of activities in the electricity sector. Its mission is to promote competition in electricity generation, transmission, and supply while protecting the interests of consumers. It, therefore, has a dual obligation to function in ways that will preserve the financial viability of the regulated licensees while, at the same time, ensuring that consumers are protected and receive adequate service and fair prices.

The Commission issues licences to entities in Ukraine participating in the following businesses in the electricity sector:

- ◆ Regulated Tariff Supply
- ◆ Low Voltage Network Operation
- ◆ Electric Generation
- ◆ Non-Regulated Tariff Supply
- ◆ Wholesale Electric Supply
- ◆ High Voltage Network Operation

NERC has important responsibilities with respect to the control or oversight of the licensed activities. The monitoring and review of licensee activity is accomplished largely by the Commission's Local Offices located in each oblast. These offices are sometimes directed by the Commission to examine the financial condition of an applicant licensee and to report to the Commission.

NERC has full authority over the retail tariffs for supply and low voltage transmission. In order to effectively carry out its role in this area, technical, economic, and financial information is needed. Often this information is at a low level of detail.

1.2 SCOPE OF THE PROJECT

Given the regulatory responsibility of NERC, it must have reliable financial information to make informed decisions. It now receives a considerable amount of data from the licensees now in accordance with Ukrainian accounting. That system is heavily focused on determining taxable income and used to compute taxes due. It also is oriented toward reporting information to a central governmental agency which traditionally made most of the decisions. Some transactions are recorded on a cash basis as opposed to accrual basis. For example, no provision is made for bad debt losses and entities, therefore, do not make a provision for this.

International Accounting Standards offer benefits to the management of the enterprise in terms of better monitoring of costs and profits and provide investors a more accurate picture of the financial condition of the enterprise. As a regulator, NERC can take advantage of the benefits of IAS and have a better measure of costs, assets, liabilities, and profitability. This is especially important in determining the cost of providing service by line of business and in determining return on investment for tariff setting.

Licensees will most likely migrate to IAS as they become privatized and NERC should take advantage of the improved source of information. It is not recommended, however, that NERC mandate that its licensees adopt IAS in the short term since the process is costly and time consuming. Instead it should encourage enterprises to move in that direction and provide guidance to those that do. For those enterprises, reporting guidelines are outlined in this report.

This project links to three other projects which Hagler Bailly has worked on under this delivery order:

- ◆ Determining regulatory reporting requirements for each of the six categories of NERC licenses (using statutory Ukrainian accounting)
- ◆ Restating the accounts of two oblenergos to International Accounting standards
- ◆ Developing recommendations to the oblenergos in Ukraine as to information systems they can utilize to produce both IAS and Ukrainian financial statements on an ongoing basis

The analysis and recommendations in this report draw upon our work on those projects. This is especially true in the areas of initial restatement of accounts to IAS and the requirements of information systems and personnel resources to adopt IAS on an ongoing basis.

1.3 EXISTING REPORTING REQUIREMENTS

1.3.1 NERC Requirements

There are six categories of licenses and the standard license for each category contains a Section 3 “Rules for Carrying Out the Licensed Activity”. At Section 3.2, “Provision and Use of Information”, they include the provision that

“The Licensee must provide to NERC, in whatever manner or form and whenever NERC may reasonably require it, any information relating to the Licensed Activity that NERC may reasonably consider necessary to enable NERC to carry out its duties”

Some license forms also contain a provision that

“The Licensee shall submit to NERC financial reports in the form established by the Ministry of Finance and by the State Statistics Committee of Ukraine, and additional reporting forms adopted by NERC by standard procedure”

In addition to these general reporting guidelines, the six standard license forms contain reporting requirements unique to the type of activity. For example, the license for Electricity Generation calls for reports by individual plant which contain operational and financial information on fuel inventories and consumption. The license for Transmission of Electricity by Local Networks calls for information on costs and allocation methods by voltage level.

Hagler Baily developed NERC reporting requirements for each of the 6 license categories and they were approved by the NERC Staff. Again, those requirements assume that the licensees utilize only Ukrainian accounting.

1.3.2 Other Requirements

The State Statistics Committee of Ukraine and the Ministry of Finance impose reporting requirements on a broad range of entities in Ukraine, including the electricity sector entities. The requirements of those governmental bodies were taken into consideration in developing the reporting requirements to NERC mentioned above.

CHAPTER 2

APPROACH

The approach to this project was similar to the project recently conducted to determine the regulatory reporting requirements for each of the six categories of licensee - to insure that NERC was provided with the information it needs to oversee the sector and establish tariffs and at the same time not unnecessarily burden the licensees with unnecessary requirements in accounting and reporting. NERC should require that information provided to it be accurate, timely, and prepared in a consistent manner and in a format which is useful to it in carrying out its role of regulatory oversight and pricing. At the same time, NERC must be careful that it does not put an unnecessary burden on the licensed entities. Since several government ministries impose reporting requirements on entities throughout Ukraine, it is useful for NERC to have this information available to it as well. We wanted to avoid as much duplication in reporting as possible and, therefore, if relevant information is already being compiled and reported, we have recommended that the entity be required to provide it to NERC as well.

As discussed in the next chapter, IAS can provide benefits to

- ◆ Investors - to make investment and credit decisions
- ◆ Management - to have better information to run the business
- ◆ Regulators - to assess the financial condition of regulated entities and set tariffs

In light of the move toward privatization, NERC should encourage the licensees to issue understandable reports to investors and potential investors in order to obtain capital at a reasonable cost.

If management has good information sources and can obtain that information on a timely basis they will be able to make more informed decisions. If enterprises acquire new, modern software to perform IAS accounting on an ongoing basis, they will also have a tool for management accounting, budgeting, and forecasting. Also, as enterprises become privatized there will be a need to analyze and control costs in order to carry out their functions in an economic manner.

The discussions of the individual licensee situations in Chapters 4, 5, and 6 are primarily concerned with the benefits that IAS can provide to NERC. As the principal regulator of the utility enterprises in Ukraine, NERC needs good information to make tariff decisions and assess the overall financial situation of the individual enterprises and the overall sector. As each segment of the electricity sector is analyzed in those chapters, the degree to which NERC regulates the segment and the types of information it needs will be addressed.

CHAPTER 3

ACCOUNTING AND REPORTING IN AN IAS ENVIRONMENT

3.1 WHAT IS IAS?

Accounting is often referred to as the “Language of Business” It is a system of recording and reporting financial information of an enterprise Accounting standards are generally set by governmental authorities or independent professional bodies in each country and the accounting principles and reporting requirements are primarily aimed at providing external parties with the information they need to assess the financial condition of an enterprise Since the standards in each country were developed somewhat independently, accounting methods are different, or applied in a different manner, in each country International Accounting Standards attempt to break the language barrier by providing a broad set of guidelines as to allowable methods to be used to account for major categories of income, expense, assets, and liabilities Since they were developed to accommodate a global audience, they are generally broad and often allow for alternative methods so they can be used by a broad range of enterprises in many countries

IAS is primarily built on “Western” accounting principles Most investors are familiar with those principles and the format in which information is presented In order to make decisions on granting long or short term credit to or making investments in specific enterprises, these decision makers need to have information which they understand IAS goes beyond just the methodology of compiling standard financial statements (balance sheet, income statement, cash flow), however The disclosure information provided with the standard statements is as important, or sometimes more important, than the statements themselves This provides transparency and allows analysts, investors, and governmental agencies to assess the income and financial resources of an enterprise

3.2 WHAT DOES IAS MEAN TO UKRAINE?

Ukrainian accounting is built on a Soviet model and is focused on costs of production and the determination of taxes to be paid The audience was generally a government ministry that used the information to control the economy or a sector of the economy Two significant events are changing the economic picture in the country The restructuring of the electricity sector is moving the industry away from a centrally controlled one to one that is more decentralized with individual entities operating on a more autonomous basis, within a set of

market rules. Privatization is beginning to take place and the individual market entities will be owned and operated by investors as opposed to the central command and control model. In its role as regulator, NERC should embrace these changes and make sure it is in a position to face the new market environment.

Entities in Ukraine should also take advantage of the new environment and restructure their accounting and reporting in a way that they are in a position to take advantage of the new economic model. At the same time, governmental laws and regulations still require the entities to account for and report their activities in accordance with Ukrainian standards. This pertains not only to tax determination but also to other types of reporting. There is not a move underway to migrate the Ukrainian standards toward IAS. The State Securities Commission considered issuing a regulation which would require large public companies to report to investors and the Commission on an IAS basis but decided not to issue that regulation. The banking industry, however, is now requiring financial institutions to report on an IAS basis but there is no such move underway in the electricity sector.

Enterprises wanting to adopt IAS are in the position of having to account for and report their financial results on two different bases - IAS and Ukrainian. This requires significant time and expense and the current financial condition of the sector is not such that enterprises are moving quickly to adopt IAS. The next section discusses that point in more detail.

3.3 WHAT DOES THIS MEAN FOR THE ELECTRICITY SECTOR?

Various enterprises in the sector have performed restatements of their accounts to IAS. These are generally "limited restatements" which means that comprehensive audits of source transactions are not performed and revaluation of plant and equipment and other assets is not done. A full restatement takes considerable time and effort and the cost is often difficult to justify. A limited restatement is more cost effective and can provide information to investors and other outside parties so they can get a handle on the overall financial condition of an enterprise. Hagler Bailly, in conjunction with PricewaterhouseCoopers, performed limited restatements of two oblenergos in Ukraine. The result is a set of IAS financial statements prepared on an accrual basis and detailing the individual segments (distribution, heat, and other subsidiary activities) of the business. Restatements have also been performed for some generating companies with the participation of advisors.

Restatements are generally performed based on historical periods of the prior two or three years. This information can be used to assess the financial condition of the enterprise as of those periods. That can be useful to potential investors in making decisions and can also provide useful information to management and a regulatory body such as NERC. Those restatements are performed by accumulating a significant amount of source data on sales, costs, and other transactions and compiling the information in accordance with IAS.

standards. For those enterprises wanting to produce IAS information on an ongoing basis, however, new information systems must be acquired and installed in order to efficiently process and report transactions on BOTH an IAS and Ukrainian accounting basis. Hagler Baily and PricewaterhouseCoopers have prepared a comprehensive report detailing software options for the oblenegos in Ukraine which would enable them to maintain their accounts and report on both an IAS and a Ukrainian accounting basis. This study also incorporated the NERC reporting requirements. These systems do require an investment to be made by the oblenego in terms of money for the hardware and software and personnel resources in both the accounting and information technology areas.

CHAPTER 4

OBLENERGO REQUIREMENTS

The oblenergos can be thought of as the most highly regulated entities in the newly restructured electricity sector of Ukraine. As distribution and supply companies, they will follow a traditional cost of service methodology which continues to be implemented and improved upon. NERC has the responsibility of determining the costs it will allow each oblenergo to recover through tariffs. NERC has a vested interest in obtaining the most accurate picture of the cost structure of each entity. Basic principles which should be followed here include requiring operating and capital costs to be accounted for in the following broad categories:

- ◆ Electricity transmission, distribution and supply
- ◆ Combined Heat and Power (CHP)
- ◆ Other (non-utility)

The heating and hot water business conducted by the CHPs is not regulated by NERC and the CHPs are not part of the privatization process. For those reasons the costs related to that segment of the enterprise need to be separately identified. Direct costs are generally easy to identify and NERC should assure that is done. Indirect costs (shared facilities and personnel, administration, etc.) are difficult to determine and there are various methods available to do this. Each enterprise should be encouraged to apply methods it believes are reasonable and appropriate for its situation and apply those on a consistent basis. NERC's role should be to assure that the methods are in fact reasonable and consistently applied. The same is true for non-utility portions of the business such as construction and guard services. Social Assets such as shops, apartments, and kindergartens add another, somewhat unique, dimension to the picture. To the extent these facilities provide benefits to employees of the oblenergo, their cost should be allowed to be recovered in tariffs as part of overall compensation costs. The portion of costs (and revenues) pertaining to non-employees should be separated and treated as non-utility. IAS can provide reasonable benefits here by facilitating line of business reporting. Also, if entities acquire new information systems, more detailed records can be kept at relatively little cost.

For the electric utility portion of the business, NERC already is receiving detailed information on plant and equipment investments and operating costs. This should be

continued in an IAS environment. In fact, if oblenergos acquire modern accounting systems, they will be able to provide that detailed information on a more timely basis and with less manual effort. For tariff purposes, costs are separated into the two license categories of Low Voltage Network Operation (LVNO) and Supply. Within LVNO, costs, both operating and capital, are allocated to voltage levels. Again, direct cost assignment and overhead allocation methods are unique to individual enterprises. NERC's role is assure that the methods are reasonable and consistently applied. Modern software can make the information easier for the oblenergo to develop and maintain.

Hagler Bailly, as advisor to NERC, is currently developing recommendations in the area of "Return on Investment". Current tariff methodologies allow for recovery OF capital investment in the form of depreciation. There is currently no specific provision for return ON invested capital, however. Profits are determined using a return on sales approach which does not specifically consider the amount of investment required to generate those sales. Modern economic principles dictate that investors should earn a return on their investment as a component of costs. With privatization moving along in the sector, potential investors are concerned about receiving a return on the investment they make in the oblenergos. This includes the initial investment an the significant additional investments they will make, both mandatory investments as part of the tender agreement and other voluntary investments to reduce costs or improve operations. NERC should address this concern and have a more rational way of determining returns to investors. The primary assets of the oblenergos are plant and equipment and NERC may want to consider an accounting requirement that investments made subsequent to privatization be identified and reported in the event that a return on those investments can be determined even if the prior investment is not allowed a return. An IAS system can produce benefits by being able to keep track of plant and equipment on a detailed vintage basis. Also, separate records can be kept to satisfy both tax requirements and regulatory accounting requirements.

Proposed IAS reporting formats for oblenergos have been developed and are contained in Appendix A. Those reports take into account the detailed cost and operational information already being provided to NERC. They were developed using the concepts discussed above and our recent experience performing the restatement to IAS at two oblenergos. The formats for the Balance Sheet and Income Statement are the ones we used to present the information. The subsidiary schedules are specifically for NERC's benefit.

CHAPTER 5

GENERATING COMPANY REQUIREMENTS

The Generating Companies (Gencos) are also going through restructuring. Their model is different from the Oblenergos in that the Oblenergos will be subject to specific cost based regulation in the future while the Gencos will operate in a more competitive environment - as long as the market structure is allowed to work in the manner in which it was developed. As opposed to having to justify in detail its costs to a regulator in order to recover them, each Genco will compete for sales by bidding against other entities and will receive a market based price. The Genco's profitability will be determined by their level of sales and their ability to control costs and thereby, hopefully, make a profit.

NERC still has regulatory oversight of the Gencos but it should treat them differently from the Oblenergos when considering accounting and reporting standards. When the market is free to operate as designed, Gencos should not have to justify their operating and capital costs to a regulator. NERC in its oversight role, however, has an interest in knowing the financial status of each entity. When we worked with NERC to develop reporting requirements we became aware of the information currently being provided by Gencos. That includes information on plant investment and operating costs for each plant as well as the standard Ukrainian financial statements. Since fuel is the primary cost for the Gencos, that information is also provided to NERC. Fuel cost information is broken down by type of fuel - coal, gas, mazut, and other. For each of those categories cost and consumption information is provided on a per unit basis and in total. Other operational and financial information is also provided. That information should allow NERC to assess the financial condition of the enterprise. Of course, financial statements prepared in accordance with International Accounting Standards would provide a more understandable picture of the financial health of the enterprise. For that reason NERC should strongly encourage the generating companies to adopt IAS on an ongoing basis as was suggested for Oblenergos.

Gencos are large entities and can better afford the cost of a system which would allow them to maintain their accounts and report in both an IAS and Ukrainian accounting environment. Given the current status of privatization in this segment of the energy sector, it would not be prudent for NERC to mandate that Gencos adopt IAS in the short term. This would require them to make investments in equipment and software to meet the requirement. In, hopefully, a short period of time the Gencos will be privatized and there is a high probability that if a strategic investor acquires a Genco, it would implement IAS. That implementation would probably involve using a system it is currently using for other segments of its business. Even if it does not use an existing corporate system there is a high probability that a new software

system which would accommodate IAS would be installed since Gencos are large entities and the investor will have made a significant investment in the company

CHAPTER 6

OTHER LICENSEE REQUIREMENTS

The other NERC licensees include

- ◆ Non-Regulated Tariff Supply
- ◆ Wholesale Electric Supply
- ◆ High Voltage Network Operation

As discussed in the sections dealing with oblenergos and Gencos, the accounting and reporting requirements NERC sets for an enterprise should reflect the degree of regulation and oversight that NERC exercise over the enterprise. This is also true in the area of International Accounting Standards. As previously mentioned, Hagler Bailly worked with NERC to determine reporting requirements for all categories of licensees, including the above three. Those were developed by reviewing the licenses and the information needs of NERC. It was interesting to note that the requirements for entities involved in the transmission of electricity by local electricity networks and involved in supply are regulated tariff (the oblenergos) were the most extensive. The reporting requirements for generating companies were less extensive, but still substantial. For the Non-Regulated Tariff Supply, Wholesale Electric Supply, and High Voltage Network Operation licensees, the reporting requirements were less extensive. The determination of IAS requirements should follow the same pattern. NERC should consider its needs for oversight and tariff determination in setting the level of detail.

Non-regulated tariff suppliers are currently required to submit a balance sheet and profit and loss (income) statement to NERC. There are a significant number of licensees in this category and they participate in the market to varying levels. Some are very active and a substantial part of their business is involved in this activity. Others are in the market only for specific transactions or with a limited number customers and their primary businesses are in different areas. They are currently required by NERC to provide detailed information by voltage class and customer category (industrial, railway agricultural, etc.) on kWh sales, rate per kWh, and total revenue. In addition, for each customer consuming over 150,000 kWh in a quarter, they must provide kWh sales, rate, and total revenue information. NERC has the information it needs from these entities. However, to the extent they follow IAS in their business, NERC should require the standard IAS financial statements to be provided.

In the wholesale supply area, NERC is receiving extensive information on daily Energomarket activity, both operational and financial. This includes generation, load dispatch, and pricing data. Monthly information is required on supplier debt for electricity purchased from the market and debt to generating companies for electricity sold by them. This is important information to NERC in its oversight role and IAS would not add any value in this area.

High voltage network operation is asset intensive and IAS may provide some value. Reports on income and costs for the licensed activity are already provided but in an IAS environment the information may be more transparent. This is especially true if a modern information system is used.

CHAPTER 7

SUMMARY AND CONCLUSIONS

NERC has a very important role in the oversight of the electricity sector in Ukraine. To the extent that the Licensees utilize International Accounting Standards to record and report their financial position it should benefit NERC. With IAS there should be improved reliability and consistency of the information provided by the licensees. The financial picture of the individual enterprise becomes more transparent and thus helps NERC to determine if the tariffs it approves are appropriate and to gauge the financial health of the industry, even for those entities whose tariffs are not determined by NERC.

As previously discussed, the initial conversion to an IAS (actually a dual IAS / Ukrainian) system is costly and time consuming. Given the current poor financial condition of the electricity sector, it would not be appropriate for NERC to mandate that licensees adopt IAS in the short term. If the pace of privatization of oblenegos and Gencos picks up, many of those entities are likely to implement IAS systems, most likely as a result of capital infusion from a strategic investor. In the longer term, however, NERC should require that financial information be provided to it in accordance with IAS. For those entities not having a system to accommodate this, a limited restatement could be done. This would be most appropriately performed on an annual basis. Licensees should be given sufficient advanced notice of such a requirement.

NERC may want to consider allowing the companies it regulates based on cost to recover the cost of a new financial system including hardware, software and development costs on an accelerated basis as part of the tariff. If an entity knows it can recover the cost of system over a short period of time it will be more likely to make that investment.

This report did address the issue of IAS reporting for those entities adopting IAS. Again, NERC should encourage all entities to adopt IAS to facilitate its oversight role and also to encourage the enterprises to adopt financial systems which will make reporting easier and provide better and more timely information to run the business more efficiently.

ATTACHMENT A

PAGE

1	Balance Sheet - Assets
2	Balance Sheet - Capitalization and Liabilities
3	Statement of Income
4	Schedule 1- Fixed Assets and Related Depreciation
5	Schedule 2 - Cost Allocations (Page 1 of 2)
6	Schedule 2 - Cost Allocations (Page 2 of 2)

BALANCE SHEET (PAGE 1 OF 2)

AS OF _____

ASSETS

<u>LINE</u>		<u>SOURCE</u>	<u>BEGINNING BALANCE</u>	<u>ENDING BALANCE</u>
1	Long Term Assets			
2	Fixed Assets	SCH 1		
3	Less Accumulated Depreciation	SCH 1		
4	Net Fixed Assets	SCH 1		
5	Assets Under Construction			
6	Net Utility Plant			
	Other Property and Investments			
7	Nonutility Property and Intangibles			
8	Less Accumulated Depreciation			
9	Net Nonutility Property and Intangibles			
10	Long Term Financial Investments			
11	Other Non-Current Assets			
12	Total Other Property & Investments			
	Current Assets			
13	Cash and Short Term Investments			
14	Accounts Receivable			
15	Less Bad Debt Allowance			
16	Net Receivables			
17	Inventory			
18	Government, Employee and Other Receivables			
19	Other Current Assets			
20	Total Current Assets			
	TOTAL ASSETS			

BALANCE SHEET (PAGE 2 OF 2)
AS OF _____

CAPITALIZATION AND LIABILITIES

<u>LINE</u>	<u>SOURCE</u>	<u>BEGINNING BALANCE</u>	<u>ENDING BALANCE</u>
Stockholder's Equity			
21	Statutory Capital (Net)		
22	Additional Capital		
23	Reserve Funds		
24	Retained Earnings		
25	Unrealized Differences 1		
26	Total Equity		
Other Capitalization			
27	Long Term Debt		
28	Other Long Term Liabilities		
29	Total Capitalization		
Current Liabilities			
30	Short Term Debt		
31	Accounts Payable		
32	Less Bad Debt Allowance		
33	Net Payables		
34	Wages and Social Insurance Payable		
35	Taxes and Non-Budget Payable		
36	Government, Employee and Other Payable		
37	Advances from Customers		
38	Other Current Liabilities		
	Total Current Liabilities		

TOTAL CAPITALIZATION AND LIABILITIES

1 Unrealized differences represents the unreconcilable difference after conversion of the Ukrainian accounting system into International Accounting Standards

STATEMENT OF INCOME FOR THE PERIOD _____

<u>LINE</u>		<u>SOURCE</u>	<u>AMOUNT</u>
	OPERATING INCOME		
	Sales		
1	Electricity	Form No 5	
2	Heat		
3	Internal Transfers		
4	Other Revenues		
5	Total Sales		
	Operational Expenses		
6	Purchased Electricity	Form No 18	
7	Operating Expenses	SCH 2	
8	Fuel and Raw Materials	SCH 2	
9	Wages & Social Costs	SCH 2	
10	Total Operating Expenses		
11	Maintenance	SCH 2	
12	Depreciation	SCH 1	
13	Total all Operational Expenses		
14	Operating Income		
15	Non - Operating Income		
16	Net Non-Utility Income		
17	Total Income before Taxes and Financial Costs		
18	Taxes and Financial Costs		
19	Interest on Long Term Debt		
20	Unrealized Accounts Payable 1		
21	Unrealized Accounts Receivable 2		
22	Taxes & Payments		
23	Total Taxes and Financial Costs		
24	NET INCOME		
	1	Includes Accounts Payable written off and treated as income	
	2	Includes Accounts Receivable written off as bad debt expense	

SCHEDULE 1

**FIXED ASSETS AND RELATED DEPRECIATION
AS OF PERIOD ENDED _____**

(000 UAH)

(a) LINE #	(b) DESCRIPTION	(c) COST	(d) Accumulated Depreciation	(e) Current Period Depreciation
	ELECTRIC UTILITY			
1	Land			
2	Buildings			
3	Substations <ul style="list-style-type: none"> • Voltage Class 1 • Voltage Class 2 • Voltage Class 3 			
4	Lines <ul style="list-style-type: none"> • Voltage Class 1 • Voltage Class 2 • Voltage Class 3 			
5	Meters			
6	Other Electric			
	TOTAL ELECTRIC			
7	Combined Heat and Power			
8	Social Assets			
9	Other Assets			
10	TOTAL			

NOTES

- (1) Line 10, Column c should agree with line 2 on the Balance Sheet
- (1) Line 10, Column d should agree with line 3 on the Balance Sheet
- (1) Line 10, Column e should agree with line 12 on the Income Statement

SCHEDULE 2

COST ALLOCATIONS FOR THE PERIOD ENDED _____ (000 UAH)

SCHEDULE 2a - Operating Expenses

<u>FUNCTION</u>	<u>AMOUNT</u>
Electric	
Transmission	
Supply	
Other Electric	
Total Electric	
Non Electric	
Total Operating Expenses	

SCHEDULE 2b - Fuel and Raw Materials

<u>FUNCTION</u>	<u>AMOUNT</u>
I Fuel for Generation	
II Other Fuel and Raw Materials	
Electric	
Transmission	
Supply	
Other Electric	
Total Electric	
Non Electric	
Total Other Fuel and Raw Materials	
III Total Fuel and Raw Materials	

SCHEDULE 2

Continued

SCHEDULE 2c - Wages and Social Costs

<u>FUNCTION</u>	<u>AMOUNT</u>
Electric	
Transmission	
Supply	
Other Electric	
Total Electric	
Non Electric	
Total Wages and Social Costs	

SCHEDULE 2d - Maintenance

<u>FUNCTION</u>	<u>AMOUNT</u>
Electric	
Transmission	
Supply	
Other Electric	
Total Electric	
Non Electric	
Total Maintenance	