

Audited Project Financial Statements

Project Number: 46416-002
Loan/Grant Number: 3150
Period covered: 6 February 2015 to 31 December 2015

ARM: Power Transmission Rehabilitation Project

Prepared by CJSC Electro Power System Operator (EPSO)

For the Asian Development Bank
Date received by ADB: 25 July 2016

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 Public Communications Policy 2011 and as agreed between ADB and the CJSC Electro Power System Operator (EPSO).

ADB LOAN 3150 – ARM
POWER TRANSMISSION AND REHABILITATION PROJECT
EXTENSION AND UPGRADE OF THE SCADA/EMS PROJECT
SPECIAL PURPOSE FINANCIAL STATEMENT AND
AUDITOR'S REPORT
FOR THE REPORTING PERIOD 06.02.2015-31.12.2015



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INDEPENDENT AUDITORS REPORT

TO THE GENERAL DIRECTOR OF "ELECTRIC POWER SYSTEM OPERATOR" CJSC MR.M. MNATSAKANYAN

YEREVAN- 23/11/2016

We have audited special purpose financial statements of ADB Loan 3150 – ARM Power Transmission and Rehabilitation Project Extension and Upgrade of the SCADA/EMS Project for the period 06.02.2015-31.12.2015 on fund resources and their utilization (hereinafter Special Purpose financial statement) as at December 31, 2015.

MANAGEMENT'S RESPONSIBILITY

Company's Management is responsible for the preparation and fair presentation of Special Purpose financial statement in accordance with ARM 46416 project between the Asian Development Bank and "Electric Power System Operator" CJSC dated on 5 September 2014, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

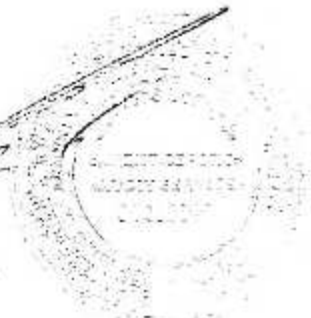
OPINION

In our opinion, special purpose financial statements give a true and fair view on cash received and paid within the framework of the Project as at December 31, 2015, in accordance with ARM 46416 projects between the Asian Development Bank and "Electric Power System Operator" CJSC dated on 5 September 2014.

DIRECTOR OF AUDITSERVICE LLC

LICENSED AUDITOR

GOR DAVTAYN



Project Name: Power Transmission and Rehabilitation Project Extension and Upgrade of the SCADA/EMS Project

Loan/Grant No: 3150-ARM

Special Purpose Statement of Cash Receipts and Payments

For the Year Ended 31 December 2015

(Expressed in US\$)

	Note	(Previous yr.) Year Ended 31/12/2014	(Current yr.) Year Ended 31/12/2015	Cumulative 31/12/2015
Receipts				
ADB Loan ¹	3,8	-	269,029.34	269,029.34
Total Financing from ADB		-	269,029.34	269,029.34
Fund received from Government	3	-	33,674.09	33,674.09
Other Donor Fund	3	-	-	-
Total Receipts from External Assistance		-	33,674.09	33,674.09
Miscellaneous Receipts	4,5	-	-	-
Total Receipts		-	302,703.43	302,703.43

Payments (classification should be done in accordance with the Financing Agreement)

Civil Works	12	-	-	-
Goods	13	-	-	-
Consultancy Services, including	14	-	302,703.43	302,703.43
a) Consulting Services	14.1	-	145,876.27	145,876.27
b) Reimbursement expenses	14.2	-	21,555.8	21,555.8
c) VAT	14.3	-	33,674.09	33,674.09
d) Interests	14.4	-	1,610.77	1,610.77
b) Not restored (outstanding) balance of prepayments to the consultants	14.5	-	99,986.5	99,986.5
Plants, Vehicles and Machinery	11	-	-	-
Project Management Expenses	6	-	-	-
Total Payments for Project Expenses		-	302,703.43	302,703.43

¹ This include amounts received from ADB (Imprest account, direct payment and reimbursement method)

Excess/(Shortfall) of Receipts over Project Expenses		-	-	-
Suspense Items	7	-	-	-
Increase/(Decrease) in Cash		-	-	-

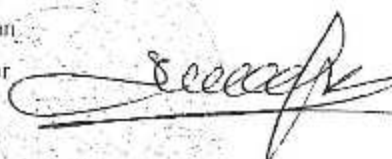
Cash at beginning of reporting period

Impress Account Cash in Hand	9	-	-	-
Cash in Hand	10	-	-	-
Increase/(Decrease) in Cash		-	-	-

Cash at the end of reporting period

Impress Account Cash in Hand	9	-	-	-
Cash in Hand	10	-	-	-
Increase/(Decrease) in Cash		-	-	-

M. Mnacakanyan
 General Director
 18/11/2016



L. Melkonyan
 Chief Accountant
 18/11/2016



Notes set out on pages 5 to 7 form an integral part of these Special Purpose Statement of Cash Receipts and Payments

Project name: Power Transmission and Rehabilitation Project, Extension and Upgrade of the SCADA/RMS Project

Loan/Grant №: 3150-ARM

Statement of Comparison Budget and Actual Amounts

For the Year Ended 31 December 2015

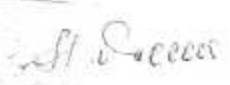
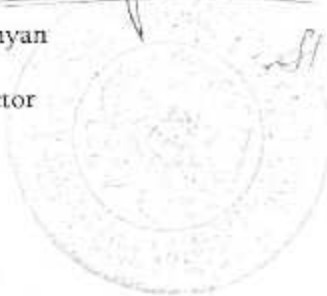
Loan Cost Categories	For the current year ended 31/12/2015		Cumulative from [beginning of project] to year to date	
	Budgeted expenditures USD	Actual expenditures USD	Budgeted expenditures USD	Actual expenditures USD
Civil Works				
Goods				
Consultancy Services	320,000.0	302,703.43	320,000.0	302,703.43
Plants, Vehicles and Machinery				
Project Management Expenses				
Total:	320,000.0	302,703.43	320,000.0	302,703.43



M. Mnatsakanyan

General Director

18.11.2016



L. Melkonyan

Chief Accountant

18.11.2016

Project Name: Power Transmission and Rehabilitation Project Extension and Upgrade of the SCADA/EMS Project

Loan/Grant No: 3150-ARM

Notes to Special Purpose Statement of Cash Receipts and Payments

For the Year Ended 31 December 2015

Tabular amounts are presented in US Dollar

1. BACKGROUND, NATURE OF OPERATIONS AND ACTIVITIES

The Government of Republic of Armenia has received financial assistance from the Asian Development Bank (ADB) in the form of a loan amounting to \$37 million to finance "Power Transmission and Rehabilitation Project Extension and Upgrade of the SCADA/EMS" Project. The Government of Republic of Armenia has also agreed to contribute the payments on taxes, duties and custom clearance actual in the borrower area made on behalf of the project.

The main purpose of the project is the enhancement of power transmission network operational efficiency. It is aiming to improve the national electric power system operation reliability and transmission capacity.

The project, including the financial activities, is administered and managed by the RA Ministry of Energy and Natural Resources. ADB's contributions are used to pay project expenses through "direct payment method" to the suppliers and consultants for the benefit of the project. An imprest account had been set up by "Electric Power System Operator" CJSC in the RA Ministry of Finance for the purposes of paying the amounts of VAT calculated on the consulting services related to the project. Payments to consultants had made up directly by ADB on which corresponding notes were submitted to "Electric Power System Operator" CJSC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Special Purpose Statement of Cash Receipts and Payments (Statement) has been prepared in accordance with Cash Basis International Public Sector Accounting Standards Financial Reporting under the Cash Basis of Accounting and comply with ADB guidelines. Accordingly, they are prepared for the special purpose of the project management and ADB in accordance with the agreements between the RA Government and ADB.

Cash receipts are recognized when they are credited in the bank account. Payments made directly by ADB to third parties for project expenses are recognized as project expenditures and receipts as financing under the project, even if the cash does not flow through the project as it is for the benefit of the project. Such payments and receipts are recognized based on the value dates of the payment transactions made by ADB. For payments out of Imprest Account maintained with the Ministry of Finance, they are recognized when the payments are executed.

The accounting policies have been applied consistently throughout the reporting year.

Reporting entity

The Statement solely reflects the financial status of "Power Transmission and Rehabilitation Project Extension and Upgrade of the SCADA/EMS" Project. The Project is funded by ADB, as well as co-financed by the RA Government.

Reporting Period

The Statement apply to fiscal year ended 31 December 2015 and has been prepared based on transactions for the year from 06 February 2015 to 31 December 2015.

Reporting currency and Foreign Currency Transactions

The currency of reporting is United States dollar (US\$).

Transactions in AMD are converted to USD at the exchange rate prevailing at the date of transaction. Foreign currency bank balances are re-stated at the year-end rate, and the resulting gains/losses are recognized in the statement of receipts and payments account.

Cash and Cash Equivalent

Cash and cash equivalents represent the balance remaining in the Imprest Account and cash in hand.

Bank Charges

No bank charges were made in order to transfer VAT to the RA state budget under the project.

3. STATUS OF FUNDS AND UNCOMMITTED FUNDS

The project is financed by ADB through a loan, as well as co-financed by the RA Government. During the reporting period, in-kind contributions were not reflected. The total funds financing the project and the available funds for future commitments as of 31 December 2015 are as follow:

	Total Financing	Total Committed as of 31/12/2015	Available Balance as Of 31/12/2015
ADB Loan	269,029.34	269,029.34	-
Contribution of the RA Government	33,674.09	33,674.09	-
Other Fund			
Total	302,703.43	302,703.43	

The RA Government contributions are implemented in accordance with the Sub-loan agreement signed on February 6, 2015 between the RA Ministry of Finance and "Electric Power System Operator" CJSC (Article 3, paragraph 3.1).

4. IN-KIND CONTRIBUTIONS

In-kind contributions were not reflected in the reporting year for the implementation of the project.

5. MISCELLANEOUS RECEIPTS

There were no other cash inflows for the implementation of the project.

6. PROJECT MANAGEMENT EXPENSES

Project management expenses comprise recurrent expenses of the Project Management Office within the RA Ministry of Energy and Natural Resources that is responsible for the implementation of the project. Such expenses were not intended in the project budget for the reporting year and were not made actually.

7. SUSPENSE ITEMS

Suspense items consist of payments made by the project, which are initially considered as eligible expenses but are later found to be ineligible, and thus cannot be charged to the project. They are placed in Suspense Accounts pending the receipt of refund. Such expenses were not intended in the project budget for the reporting year and were not made actually.

8. ADB LOAN

Loan	31/12/2014	31/12/2015
Transfer to Imprest Account by ADB	-	-
Direct Payment made by ADB	-	269,029.34
Reimbursement made		
Commitment Letter		
Total ADB Loan Receipts	-	269,029.34

9. IMPREST ACCOUNT

The accrued VAT amounts on consulting services related to the Project were transferred to the budget through this account. Other cash flows were not made on this account. No balances were available in the account as of December 31, 2015.

10. CASH IN HAND

Cash transactions were not reflected during the reporting year for the implementation of the project.

11. PLANT, EQUIPMENT AND VEHICLES

Such expenses were not intended in the project budget for the reporting year and were not made actually.

12. CIVIL WORKS

Such expenses were not intended in the project budget for the reporting year and were not made actually.

13. GOODS

Such expenses were not intended in the project budget for the reporting year and were not made actually.

14. CONSULTANCY SERVICES

	31/12/2014	31/12/2015
Loan no.3150-ARM	-	269,029.34
Government contribution	-	33,674.09
Donor fund	-	-
Total	-	302,703.43

15. RECONCILIATION BETWEEN THE AMOUNTS RECEIVED BY "ELECTRIC POWER SYSTEM OPERATOR" C.JSC AND ADB AS OF AND FOR THE YEAR ENDED 31/12/2015

In US dollars

Category	Application No	Project	ADB	Difference
Works				
Construction of the plant				
Environmental and remediation				
Consulting services	A0001, A0002, A0003	280,000.00	269,029.34	10,970.66
Capacity development				
Project management				
Explain the causes of difference				

Project Name: Power Transmission and Rehabilitation Project Extension and Upgrade of the SCADA/EMS Project

Loan/Grant No: 3150-ARM

Statement of Funds Received by Methods of Withdrawals

For the Year Ended 31 December 2015

Loan

Funds Received from	31.12.2014	31.12.2015
ADB Loan	-	269,029.34
The RA Government	-	33,674.09
Other Donor	-	
Interest Received	-	
Total Funds Received	-	302,703.43

Payments through Direct Payment	-	
Civil Works	-	
Goods	-	
Consultancy Services	-	267,418.57
Plants, Vehicles and Machinery	-	
Interests	-	1,610.77
Total Direct Payment	-	269,029.34

Payments through Imprest Account	-	
Project Management Expenses	-	
VAT payment	-	33,674.09
Movement in Imprest Account	-	
Closing balance	-	
Opening balance	-	
Total Imprest Account Payment	-	33,674.09

Reimbursable Expenses	-	
Ineligible Expenses	-	
Total Payment Made	-	302,703.43

M. Mnacakanyan
General Director
18/11/2016



L. Melkonyan
Chief Accountant
18/11/2016

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