

ARMENIA RENEWABLE RESOURCES AND ENERGY EFFICIENCY FUND

GRANT FOR THE PREPARATION OF THE GEOTHERMAL POWER PROJECT

GRANT No. TF018000

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the period from 23 September 2014 to 23 October 2015

**YEREVAN
November 2015**

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"SOS-AUDIT" LTD

INDEPENDENT AUDITOR'S REPORT N 93

*On the special purpose financial statements of
"Grant for the Preparation of the Geothermal Power Project"
for the period from 23 September 2014 to 23 October 2015*

To the management of Armenia Renewable Resources and Energy Efficiency Fund (the Fund)

We have audited the accompanying special purpose financial statements of "Grant for the Preparation of the Geothermal Power Project" (the Project) financed by the Grant Number TF018000, which comprise the Statement of Financial Position as at 23 October 2015, the Statement of Sources and Uses of Funds, the Statement of Uses of Funds by Project Activity, Summary of summary reports and SOEs, the Statement of Designated Account for the period from 23 September 2014 to 23 October 2015, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The management of the Fund is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the accrual basis of accounting described in the Note 2 accompanying these special purpose financial statements, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain reasonable audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatement of the special purpose 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 special purpose financial statement 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 the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

Քրոու Հորվաթ Բիզնես Ալյանսի Ասոցիացված Անդամ

ՀՀ, ք. Երևան 0037, Ա.Տիգրանյան 38/55, Հեռ.՝ (+37410) 20 11 51; Ֆաքս՝ (+37410) 20 11 50; www.sosaudit.am; էլ-փոստ՝ info@sosaudit.am

An Associate of the Crowe Horwath Business Alliance

38/55 A.Tigranyan, 0037 Yerevan, RA; Tel.: (+37410) 20 11 51; Fax: (+37410) 20 11 50; www.sosaudit.am; E-mail: info@sosaudit.am



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

Opinion

In our opinion,

1. the special purpose financial statements present fairly in all material respects the financial position of the Project as at 23 October 2015, as well as the sources and uses of funds for the period from 23 September 2014 to 23 October 2015 in accordance with the accrual basis of accounting described in the Note 2 accompanying these special purpose financial statements;
2. funds have been used in accordance with the conditions of the Grant Agreement TF018000 dated 23 September 2014 signed between the Armenia Renewable Resources and Energy Efficiency Fund and International Bank for Reconstruction and Development (IBRD), and World Bank related guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
3. supporting documents, records and accounts have been maintained to support claims for reimbursement of expenditures incurred. Expenditures included in the withdrawal applications and reimbursed against are eligible for financing under the Grant Agreement TF018000;
4. the Designated account used has been maintained in accordance with the provision of the Grant Agreement TF018000, and World Bank related guidelines.

Emphasis of matters

Without qualifying our opinion we draw your attention to Note 6 of these special purpose financial statements which disclosed that the Project was completed as at the reporting date.

"SOS-Audit" LLC
4 November 2015

Manvel Ghazaryan
Director

Nazik Chitchyan
Auditor



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STATEMENT OF FINANCIAL POSITION

Grant for the Preparation of the Geothermal Power Project
Grant TF018000
As at 23 October 2015

	Note	23.10.2015 USD	31.12.2014 USD
ASSETS AND EXPENDITURES			
Cash and cash equivalents			
Designated account (Grant TF018000)		-	32,157.65
Project account (co financing account)		-	-
Total Cash		-	32,157.65
Prepayments			
Cumulative project expenditures	3	192,318.65	49,295.90
Foreign exchange loss		-	573.28
Total Assets and Expenditures		192,318.65	82,026.83
FUNDS AND LIABILITIES			
Accounts payable			
Foreign exchange gain		1,155.24	-
Funds			
Grant TF018000	4.1	127,022.79	65,979.00
Fund co-financing	4.2	64,140.62	16,047.83
Total Funds		191,163.41	82,026.83
Total Funds and Liabilities		192,318.65	82,026.83


Tamara Babayan
Director




Siranush Gorgyan
Financial Manager

4 November 2015

The notes on pages 10-14 form an integral part of these special purpose project financial statements.

STATEMENT OF SOURCES AND USES OF FUNDS

*Grant for the Preparation of the Geothermal Power Project
Grant TF018000
For the period from 23 September 2014 to 23 October 2015
In USD*

	ACTUAL		Cumulative as at 23 Oct 2015	BUDGET Cumulative as at 23 Oct 2015	VARIANCE Cumulative as at 23 Oct 2015	PAD
	Year 2014	Year 2015				
Opening Working Capital						
Cash and cash equivalents	-	32,157.65	-			
Prepayments	-	-	-			
Accounts payable	-	-	-			
Total	-	32,157.65	-			
Sources of Funds						
Grant TF018000	65,979.00	61,043.79	127,022.79			300,000.00
Financing from Fund	16,047.83	48,092.79	64,140.62			60,000.00
Total	82,026.83	109,136.58	191,163.41			360,000.00
Foreign exchange gain/(loss)	(573.28)	1,728.52	1,155.24			
Uses of Funds						
1. Consultants' services, workshops and						
Operating Costs	49,295.90	143,022.75	192,318.65	360,000.00	(167,681.35)	360,000.00
Total	49,295.90	143,022.75	192,318.65	360,000.00	(167,681.35)	360,000.00
Closing Working Capital						
Cash and cash equivalents	32,157.65	-	-			
Prepayments	-	-	-			
Accounts payable	-	-	-			
Total	32,157.65	-	-			

The notes on pages 10-14 form an integral part of these special purpose project financial statements.

*Grant for the Preparation of the Geothermal Power Project
Special Purpose Financial Statements
for the period from 23 September 2014 to 23 October 2015*

STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY

*Grant for the Preparation of the Geothermal Power Project
Grant TF018000
For the period from 23 September 2014 to 23 October 2015
In USD*

Project Activities	ACTUAL		Cumulative as at 23 Oct 2015	BUDGET Cumulative as at 23 Oct 2015	VARIANCE Cumulative as at 23 Oct 2015	PAD
	2014	2015				
Part I- Preparation of safeguard instruments	41,981.09	34,742.96	76,724.05	98,400.00	(21,675.95)	98,400.00
Part II- Design for GPP civil works	-	35,251.16	35,251.16	48,000.00	(12,748.84)	48,000.00
Part III- Procurement -related activities	-	54,623.71	54,623.71	153,600.00	(98,976.29)	153,600.00
Part IV- Operational manual	-	-	-	12,000.00	(12,000.00)	12,000.00
Part V- Grant implementation support	7,314.81	18,404.92	25,719.73	18,000.00	7,719.73	18,000.00
Unallocated	-	-	-	30,000.00	(30,000.00)	30,000.00
Total	49,295.90	143,022.75	192,318.65	360,000.00	(167,681.35)	360,000.00

The notes on pages 10-14 form an integral part of these special purpose project financial statements.

*Grant for the Preparation of the Geothermal Power Project
Special Purpose Financial Statements
for the period from 23 September 2014 to 23 October 2015*

SUMMARY OF SUMMARY REPORTS AND SOEs

*Grant for the Preparation of the Geothermal Power Project
Grant TF018000
For the period from 23 September 2014 to 23 October 2015
In USD*

Application N	Expenditure category	Total	Value date
	1. Consultants' services, workshops and Operating Costs		
2-RA	5,979.00	5,979.00	06-Nov-2014
Total 2014	5,979.00	5,979.00	
3-DA	34,215.62	34,215.62	06-Mar-2015
4-DA	50,758.83	50,758.83	07-Jul-2015
5-DA	36,069.34	36,069.34	21-Aug-2015
Total 2015	121,043.79	121,043.79	
Total	127,022.79	127,022.79	

The notes on pages 10-14 form an integral part of these special purpose project financial statements.

STATEMENT OF DESIGNATED ACCOUNT

*Grant for the Preparation of the Geothermal Power Project
Grant TF018000
For the period from 23 September 2014 to 23 October 2015*

<u>Designated Account</u>	<u>Grant TF018000</u>	
Currency	USD	
Account number	900000900127	
Bank	Central Treasury	
Location	4 Tigran Mets str., 1-st floor, Yerevan Republic of Armenia, 0010	
	Year 2015	Year 2014
	USD	USD
1. Opening balance	32,157.65	-
Add:		
2. Cumulative opening discrepancy	-	-
3. IBRD advance/replenishment	84,974.45	60,000.00
Less:		
4. Refund to IBRD from DA	(23,930.66)	-
5. Present outstanding amount advanced to DA	93,201.44	60,000.00
6. DA closing balance	-	32,157.65
Add:		
7. Amount of eligible expenditures paid	93,201.44	27,842.35
8. Service charges (if debited into DA)	-	-
Less:		
9. Interest earned (if credited into DA)	-	-
10. Total advance/replenishment accounted for	93,201.44	60,000.00
11. Discrepancy (5)-(10)	-	-

The notes on pages 10-14 form an integral part of these special purpose project financial statements.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

*Grant for the Preparation of the Geothermal Power Project
Grant TF018000
For the period from 23 September 2014 to 23 October 2015*

1. General Information

1.1. Project Financing

According to the Agreement concluded between the Armenia Renewable Resources and Energy Efficiency Fund (the Fund) and International Bank for Reconstruction and Development (IBRD) on 23 September 2014, IBRD acting as administrator of grant funds provided by various donors, provided the Republic of Armenia Grant TF018000 in an amount not to exceed 300,000 United States dollars (USD).

Grant was provided for the Preparation of the Geothermal Power Project (the Project).

The Project financing agreement became effective on 23 September 2014.

The Closing date for the expenditures to be financed by the Grant is set on 30 June 2015. The grace period for withdrawal applications is set on 31 October 2015.

1.2. Project objectives

The objective of the Project is to support in the preparation of the proposed Geothermal Power Project.

The Project consists of the following parts:

- Part I: Preparation of safeguard instruments,
- Part II: Design for GPP civil works,
- Part III: Procurement –related activities,
- Part IV: Operational manual,
- Part V: Grant implementation support.

1.3. Project Budget

The Project is being financed by the following sources:

- International Bank for Reconstruction and Development (IBRD) - 100% exclusive of taxes,
- Armenia Renewable Resources and Energy Efficiency Fund (the Fund) - taxes.

Category	IBRD	The Fund	Total
	USD	USD	USD
1. Consultants' services, workshops and Operating Costs	300,000	60,000	360,000
Total	300,000	60,000	360,000

1.4. Project Implementation

The Project is implemented by Armenia Renewable Resources and Energy Efficiency Fund (the Fund)

The Fund activity address is: 32 Proshyan str., 1st lane, Yerevan 0019, Republic of Armenia.

2. Accounting policy

2.1 Preparation and presentation of financial statements

The special purpose financial statements have been prepared based on the accrual basis of accounting and presented in accordance with Financial Management Manual for World Bank Financed Investment Operations (March 2010): RM 3 – Financial Reporting and Auditing.

In accordance with the accrual bases of accounting the expenditure is recognized when the transaction occur (expense incurred), and not only when cash or its equivalent is received or paid. The transactions are recorded in the accounting records and recognized in the special purpose financial statements of the periods to which they relate.

The special purpose financial statements consist of:

- Statement of financial position,
- Statement of sources and uses of funds,
- Statement of uses of funds by project activity,
- Summary of summary reports and SOEs,
- Statement of designated account,
- Notes to the special purpose financial statements.

Reporting currency of special purpose financial statements is US dollar (USD).

2.2 Foreign currency transactions

Project accounts are maintained and transactions are made in USD and Armenian Drams (AMD). Transactions denominated in local currency are translated into USD as follows:

- Contributions of the Funds expressed in AMD are translated into USD at the average exchange rate at currency market issued by the Central Bank of Armenia (CBA) at the date of transfer.
- Payments to contractors and suppliers expressed in AMD are translated into USD at the average exchange rate at currency market issued by the CBA at the date of payment.
- Monetary assets and liabilities are translated into USD at the average exchange rate at currency market issued by the CBA at the reporting date.
- Transaction and translation exchange differences (gains/losses) are recognized and presented in financial statements in net as an Exchange difference.

The average exchange rate at currency market issued by the CBA as at 23 October 2015 is 1 USD =469.79 AMD

2.3 Taxes

The Project related taxes and mandatory payments are calculated and paid in accordance with tax regulations of the Republic of Armenia.

3. Project expenditures allocation on funds

Expenditure category	Year 2014			Year 2015			Cumulative As at 23.10.2015		
	Grant TF018000	The Fund	Total	Grant TF018000	The Fund	Total	Grant TF018000	The Fund	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD
I. Consultants' services, workshops and Operating Costs	33,511.63	15,784.27	49,295.90	93,700.08	49,322.67	143,022.75	127,211.71	65,106.94	192,318.65
Total	33,511.63	15,784.27	49,295.90	93,700.08	49,322.67	143,022.75	127,211.71	65,106.94	192,318.65

4. Financing

4.1 Grant TF 018000 financing

	2014 USD	2015 USD	As at 23.10.2015 Cumulative USD
Advance	60,000.00	(60,000.00)	-
SOE and Summary Reports	5,979.00	121,043.79	127,022.79
	<u>65,979.00</u>	<u>61,043.79</u>	<u>127,022.79</u>
Total financing budget			<u>300,000.00</u>
Percentage of finance provided as at 23 Oct 2015			<u>42%</u>

4.2 The Fund financing

	2014 USD	2015 USD	As at 23.10.2015 Cumulative USD
Contributions in cash	16,047.83	48,092.79	64,140.62
	<u>16,047.83</u>	<u>48,092.79</u>	<u>64,140.62</u>
Total financing budget			<u>60,000.00</u>
Percentage of finance provided as at Oct 2015			<u>107%</u>

5. Expenditure budget execution

Project category	Cumulative Expenditures as at 23 Oct 2015	Total budget	Execution*
	USD	USD	%
I. Consultants' services, workshops and Operating Costs	192,318.65	360,000.00	53%
Total	192,318.65	360,000.00	53%

(*) The Project was implemented with less cost than was expected.

6. Project completion

The Project was completed as at June 30, 2015 (Closing Date), and the transactions were completed as at October 23, 2015 (the Reporting Date).

As at the date of signing these special purpose financial statements:

- No expenses related to the Project were incurred after the Closing Date; the payments made during the Grace period related to expenses incurred before the Closing Date;
- No withdrawals from Grant No. TF018000 were made after Closing date;

- c. No expenditures related to the Project were submitted to the WB after the Reporting date;
- d. There were no uncovered prepayments or payables outstanding to contractors related to the Project as at the Reporting Date;
- e. There were no cash balance as at the Reporting Date;
- f. We are not aware about any pending or existing litigations against the Project.

ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE PROJECT AND DISBURSED BY THE WORLD BANK

*Grant for the Preparation of the Geothermal Power Project
Grant TF018000
For the period from 23 September 2014 to 23 October 2015
In USD*

Category	Appl. N	Fund	WB	Difference
Advance (recovery)	1-DA	60,000.00	60,000.00	
	5-DA		(36,069.34)	
	Refund		(23,930.66)	
		60,000.00	-	
1. Consultants' services, workshops and Operating Costs	2-RA	5,979.00	5,979.00	-
	3-DA	34,215.62	34,215.62	-
	4-DA	50,758.83	50,758.83	-
	5-DA	36,069.34	36,069.34	-
		127,022.79	127,022.79	
Total		187,022.79	127,022.79	