

**ARMENIA RENEWABLE RESOURCES AND ENERGY EFFICIENCY FUND**

**PREPARATION OF THE SCALING-UP RENEWABLE ENERGY  
PROGRAM INVESTMENT PLAN PROJECT**

**GRANT No. TF014245**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**For the period from May 7, 2013 to October 14, 2014**

**YEREVAN  
October 2014**

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"SOS-AUDIT" LTD

## INDEPENDENT AUDITOR'S REPORT N 73

*On the special purpose financial statements of  
"Preparation of the Scaling-Up Renewable Energy Program Investment Plan Project"  
for the period from May 7, 2013 to October 14, 2014*

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

We have audited the accompanying special purpose financial statements of "Preparation of the Scaling-Up Renewable Energy Program Investment Plan Project" (the Project) financed by the Grant TF014245, which comprise the Statement of Financial Position as at 14 October 2014, 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 7 May 2013 to 14 October 2014, 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 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.

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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 14 October 2014, as well as the sources and uses of funds for the period from 7 May 2013 to 14 October 2014 in accordance with the 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 TF014245 Grant Agreement dated 19 April 2013 signed between the Armenia Renewable Resources and Energy Efficiency Fund (the 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 TF014245 Grant Agreement.
4. The Designated account used has been maintained in accordance with the provision of the TF014245 Grant Agreement and World Bank related guidelines.

*Emphasis of matters*

Without qualifying our opinion we draw your attention to Note 5 of these special purpose financial statements which disclosed that the Project was completed as at the reporting date.

SOS-Audit LLC  
14 October 2014

Manvel Ghazaryan  
Director

Nazik Chitchyan  
Auditor



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## STATEMENT OF FINANCIAL POSITION

Preparation of the Scaling-Up Renewable Energy Program Investment Plan Project  
Grant TF014245  
As at 14 October 2014

	<u>Note</u>	<u>14.10.2014</u> <u>USD</u>
<b>ASSETS</b>		
Cumulative project expenditures	3	405,086.25
Foreign exchange loss		<u>783.41</u>
<b>TOTAL ASSETS</b>		<b><u>405,869.66</u></b>
<b>FUNDS AND LIABILITIES</b>		
<b>Funds</b>		
Grant TF014245	4	296,083.65
ARREE Fund		<u>109,786.01</u>
<b>Total Funds</b>		<b><u>405,869.66</u></b>
<b>TOTAL FUNDS AND LIABILITIES</b>		<b><u>405,869.66</u></b>

The special purpose financial statements were approved by the management of Armenia Renewable Resources and Energy Efficiency Fund and signed on its behalf on 14 October 2014. The accompanying notes form an integral part of these special purpose financial statements.

**Tamara Babayan**  
Director



**Roza Manucharyan**  
Financial Manager

Preparation of the Scaling-Up Renewable Energy Program Investment Plan Project  
Special Purpose Financial Statements  
For the period from 7 May, 2013 to 14 October, 2014

## STATEMENT OF SOURCES AND USES OF FUNDS

Preparation of the Scaling-Up Renewable Energy Program Investment Plan Project  
 Grant TF014245  
 For the period from 7 May, 2013 to 14 October, 2014  
 In USD

	ACTUAL		BUDGET		VARIANCE		PAD*
	Reporting period	Cumulative to Date	Reporting period	Cumulative to Date	Reporting period	Cumulative to Date	
<b>Opening Working Capital</b>	-	-	-	-	-	-	
<b>Sources of Funds</b>							
Grant TF014245	296,083.65	296,083.65					
ARREE Fund	109,786.01	109,786.01					
<b>Total</b>	<b>405,869.66</b>	<b>405,869.66</b>					
<b>Foreign exchange gain/(loss)</b>	(783.41)	(783.41)					
<b>Uses of Funds</b>							
1. Consultants' services, non-consulting services and workshops	335,378.70	335,378.70	395,492.00	395,492.00	(60,113.30)	(60,113.30)	395,492.00
2. Operating costs	69,707.55	69,707.55	99,000.00	99,000.00	(29,292.45)	(29,292.45)	99,000.00
<b>Total</b>	<b>405,086.25</b>	<b>405,086.25</b>	<b>494,492.00</b>	<b>494,492.00</b>	<b>(89,405.75)</b>	<b>(89,405.75)</b>	<b>494,492.00</b>
<b>Closing Working Capital</b>	-	-	-	-	-	-	

\* PAD amounts include IBRD and co-financing funds

Preparation of the Scaling-Up Renewable Energy Program Investment Plan Project  
 Special Purpose Financial Statements  
 For the period from 7 May, 2013 to 14 October, 2014



## STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY

*Preparation of the Scaling-Up Renewable Energy Program Investment Plan Project  
Grant TF014245  
For the period from 7 May, 2013 to 14, October 2014  
In USD*

Project Activities	ACTUAL		BUDGET		VARIANCE	PAD*
	Reporting period	Cumulative to Date	Reporting period	Cumulative to Date	Cumulative to Date	
Component 1 - Preparation of the SREP investment plan	335,378.70	335,378.70	395,492.00	395,492.00	(60,113.30)	395,492.00
Component 2 - Project implementation	69,707.55	69,707.55	99,000.00	99,000.00	(29,292.45)	99,000.00
<b>Total Project Expenditures</b>	<b>405,086.25</b>	<b>405,086.25</b>	<b>494,492.00</b>	<b>494,492.00</b>	<b>(89,405.75)</b>	<b>494,492.00</b>

\* PAD amounts include IBRD and co-financing funds

*Preparation of the Scaling-Up Renewable Energy Program Investment Plan Project  
Special Purpose Financial Statements  
For the period from 7 May, 2013 to 14 October, 2014*

## SUMMARY OF SUMMARY REPORTS AND SOEs

*Preparation of the Scaling-Up Renewable Energy Program Investment Plan Project  
Grant TF014245  
For the period from 7 May, 2013 to 14, October 2014*

*In USD*

Application N	Expenditure category		Total	Value date
	1. Consultants' services, non-consulting services and workshops	2. Operating costs		
2	23,830.60	-	23,830.60	22.08.2013
7	3,915.24	12,803.47	16,718.71	07.03.2014
8	26,600.00	13,099.46	39,699.46	22.08.2014
<b>Total</b>	<b>54,345.84</b>	<b>25,902.93</b>	<b>80,248.77</b>	



## STATEMENT OF DESIGNATED ACCOUNT

*Preparation of the Scaling-Up Renewable Energy Program Investment Plan Project  
Grant TF014245  
For the period from 7 May, 2013 to 14, October 2014*

<u>Designated Account</u>	<u>Grant TF014245</u>
Currency	USD
Account number	900000910191
Bank	Central Treasury 1 Meliq Adamyan Street, Yerevan
Location	Republic of Armenia, 0010
	<u>USD</u>
<b>1. Opening balance</b>	-
Add:	
2. Cumulative opening discrepancy	-
3. IBRD advance/replenishment	85,000.00
Less:	
4. Refund to IBRD from DA	(3,391.75)
<b>5. Present outstanding amount advanced to DA</b>	<u><b>81,608.25</b></u>
6. DA closing balance	-
Add:	
7. Amount of eligible expenditures paid	81,608.25
8. Service charges (if debited into DA)	-
Less:	
9. Interest earned (if credited into DA)	-
<b>10. Total advance/replenishment accounted for</b>	<u><b>81,608.25</b></u>
11. Discrepancy (5)-(10)	-

## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

*Preparation of the Scaling-Up Renewable Energy Program Investment Plan Project  
Grant TF014245  
For the period from 7 May, 2013 to 14, October 2014*

### 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 19 April 2013, IBRD provided the Fund Grant TF014245 in the amount of 300,000 United States dollars (USD).

Grant was provided for implementation of Preparation of the Scaling-Up Renewable Energy Program Investment Plan Project (the Project).

The Project became effective on 7 May 2013. The Project was completed on 30 June 2014. The Closing date for the expenditures to be financed by the Grant is set on 30 June 2014. The grace period for withdrawal applications is set on 31 October 2014. As at 14 October 2014, all expenditures related to the Project were made.

#### 1.2. Project objectives

The objective of the Project is to support the recipient in the preparation of the Scaling-Up Renewable Energy Program (SREP) Investment Plan for consideration by the SREP for funding.

The Project consists of the following parts:

- A – Preparation of the SREP Investment Plan,
- B – Project Implementation

#### 1.3. Project Budget

The Project is being financed by the following sources:

- International Bank for Reconstruction and Development (IBRD),
- The Armenia Renewable Resources and Energy Efficiency Fund (ARREE Fund)

Co-financing rate of 60% is applied for operating costs of the Project.

Taxes are covered through the Armenia Renewable Resources and Energy Efficiency Fund co financing.

Category	IBRD	ARREE Fund	Total
	USD	USD	USD
1. Consultants' services, non-consulting services and workshops	270,000	125,492	395,492
2. Operating costs	30,000	69,000	99,000
<b>Total</b>	<b>300,000</b>	<b>194,492</b>	<b>494,492</b>

#### **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 ARREE Fund 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 14 October 2014 is 1 USD = 412.51 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	Reporting period			Cumulative As at 14.10.2014		
	IBRD	ARREE Fund	Total	IBRD	ARREE Fund	Total
	USD	USD	USD	USD	USD	USD
1. Consultants' services, non-consulting services and workshops	268,817.18	66,561.52	335,378.70	268,817.18	66,561.52	335,378.70
2. Operating costs	27,270.67	42,436.88	69,707.55	27,270.67	42,436.88	69,707.55
<b>Total</b>	<b>296,087.85</b>	<b>108,998.40</b>	<b>405,086.25</b>	<b>296,087.85</b>	<b>108,998.40</b>	<b>405,086.25</b>

#### 4. Grant TF 014245 financing

Financing was provided with the following disbursement methods:

	Reporting period	Cumulative as at
	USD	14.10.2014
	USD	USD
Advance	1,359.48	1,359.48
SOE and Summary Reports	80,248.77	80,248.77
Direct payment	214,475.40	214,475.40
<b>Total</b>	<b>296,083.65</b>	<b>296,083.65</b>

#### 5. Project completion

- A) The Project was completed as at 30 June 2014 (the Closing Date). The Grace period for withdrawal applications is set on 31 October 2014 (the Grace Period).
- B) As at 14 October 2014 there were no:
- Other transactions or events affecting the special purpose financial statements of the Project;
  - Outstanding cash balances;
  - Uncovered prepayments, outstanding payables or liabilities under the concluded contracts relating to the Project;
  - Expenditures incurred that were not submitted to the World Bank; except the USD 1,359.48 paid for audit services, for which the SOE application will be submitted to the WB;
  - pending litigations related to the Project.
- C) The prepared "SREP Investment Plan for Armenia" under this Project was submitted to the SREP Sub-Committee. On 27 June 2014, the latter:
- Endorsed the investment plan as a basis for the further development of the projects and programs foreseen in the plan,
  - Approved a total of USD 2,300,000 in SREP funding as preparation grants for the following projects to be developed under the investment plan:
    - USD 300,000 for the project entitled, Geothermal Development (World Bank),
    - USD 2,000,000 for the project entitled, Development of Utility-Scale Solar PV (ADB and World Bank).

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

*Preparation of the Scaling-Up Renewable Energy Program Investment Plan Project*

*Grant TF014245*

*For the period from 7 May, 2013 to 14, October 2014*

*In USD*

Category	Appl. N	Fund	WB	Difference
Advance (repayment)	1	85,000.00	85,000.00	
	2		(23,830.60)	
	7		(16,718.71)	
	8		(39,699.46)	
	Refund		(3,391.75)	
			<b>85,000.00</b>	<b>1,359.48</b>
1. Consultants' services, non-consulting services and workshops	2	23,830.60	23,830.60	-
	3 DP	95,322.00	95,322.00	-
	4 DP	23,830.60	23,830.60	-
	5 DP	47,661.20	47,661.20	-
	6 DP	47,661.60	47,661.60	-
	7	3,915.24	3,915.24	-
	8	26,600.00	26,600.00	-
			<b>268,821.24</b>	<b>268,821.24</b>
2. Operating costs	7	12,803.47	12,803.47	-
	8	13,099.46	13,099.46	-
			<b>25,902.93</b>	<b>25,902.93</b>
<b>Total</b>		<b>379,724.17</b>	<b>296,083.65</b>	

*Preparation of the Scaling-Up Renewable Energy Program Investment Plan Project*

*Special Purpose Financial Statements*

*For the period from 7 May, 2013 to 14 October, 2014*