

ENERGY EFFICIENCY PROJECT

GEF GRANT NUMBER TF012163

**IMPLEMENTED BY
ARMENIA RENEWABLE RESOURCES AND ENERGY EFFICIENCY FUND**

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the period from January 1, 2016 to September 14, 2016

**YEREVAN
October 2016**

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"SOS-AUDIT" LTD

INDEPENDENT AUDITOR'S REPORT

*On the special purpose financial statements of
"Energy Efficiency Project"
For the period from January 1, 2016 to September 14, 2016*

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

We have audited the accompanying special purpose financial statements of "Energy Efficiency Project" (the Project) financed by the GEF Grant Number TF012163, which comprise the Statement of Financial Position as at September 14, 2016, 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 January 1, 2016 to September 14, 2016, 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.

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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 September 14, 2016, as well as the sources and uses of funds for the period from January 1, 2016 to September 14, 2016 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 Global Environment Facility (GEF) Grant Agreement TF012163 dated April 20, 2012 signed between the Republic of Armenia 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 GEF Grant Agreement TF012163.
4. the Designated account used has been maintained in accordance with the provision of the GEF Grant Agreement TF012163, and World Bank related guidelines.

Emphasis of matters

Without qualifying our opinion we draw your attention to Note 8 of these special purpose financial statements which disclosed that the financing under the Grant Agreement TF012163 was completed as at the reporting date.

"SOS-Audit" LLC
21 October 2016


Manvel Ghazaryan
Director


Nazik Chitchyan
Auditor



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STATEMENT OF FINANCIAL POSITION

Energy Efficiency Project
GEF Grant TF012163
As at 14 September 2016

	Note	14.09.2016 USD	01.01.2016 USD
ASSETS AND EXPENDITURES			
Cash and cash equivalents			
Designated account (GEF Grant TF012163)		5,993.28	37,644.81
Current account (revolving funds)		3,129.28	-
Total Cash		9,122.56	37,644.81
Prepayments	5	416,793.06	729,593.00
Cumulative project expenditures	3	7,841,989.10	4,989,750.47
Foreign exchange loss		75,531.29	27,481.70
Total Assets and Expenditures		8,343,436.01	5,784,469.98
FUNDS AND LIABILITIES			
Accounts payable	4	311,045.04	192,923.12
Funds			
GEF Grant TF012163	6.1	1,819,472.35	1,584,130.23
GoA co-financing	6.2	317,628.99	270,615.32
Financing from Revolving funds	6.3	5,866,884.56	3,728,142.19
Other		28,405.07	8,659.12
Total Funds		8,032,390.97	5,591,546.86
Total Funds and Liabilities		8,343,436.01	5,784,469.98

Tamara Babayan
Director





Siranush Gorgyan
Financial Manager

21 October 2016

The notes on pages 10-15 form an integral part of these special purpose project financial statements.

STATEMENT OF SOURCES AND USES OF FUNDS

Energy Efficiency Project
GEF Grant TF012163
For the period from 1 January 2016 to 14 September 2016
In USD

	ACTUAL		BUDGET		VARIANCE		PAD*
	Reporting period	Cumulative as at 14 Sep 2016	Reporting period	Cumulative as at 14 Sep 2016	Reporting period	Cumulative as at 14 Sep 2016	
Opening Working Capital							
Cash and cash equivalents	37,644.81	-					
Prepayments	729,593.00	-					
Accounts payable	(192,923.12)	-					
Total	574,314.69	-					
Sources of Funds							
GEF Grant TF012163	235,342.12	1,819,472.35					
GoA funds	47,013.67	317,628.99					
Financing from Revolving funds	2,138,742.37	5,866,884.56					
Other	19,745.95	28,405.07					
Total	2,440,844.11	8,032,390.97					
Foreign exchange gain/(loss)	(48,049.59)	(75,531.29)					
Uses of Funds							
1. Energy Efficiency Investments under Part A of the Project	2,520,269.96	6,364,770.89	2,520,269.96	6,364,770.89			
2. Goods, consultants' services and Operating Costs under Part B the Project	331,968.67	1,477,218.21	277,170.24	1,422,419.78	54,798.43	54,798.43	700,000.00
Total	2,852,238.63	7,841,989.10	2,797,440.20	7,787,190.67	54,798.43	54,798.43	1,820,000.00
Closing Working Capital							
Cash and cash equivalents	9,122.56	9,122.56					
Prepayments	416,793.06	416,793.06					
Accounts payable	(311,045.04)	(311,045.04)					
Total	114,870.58	114,870.58					

* PAD amounts include only IBRD funds.

Tamara Babayan

Director

21 October 2016



Siranush Gorgyan

Financial Manager

The notes on pages 10-15 form an integral part of these special purpose project financial statements.

Energy Efficiency Project
Special Purpose Financial Statements
For the period from January 1, 2016 to September 14, 2016

STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY

Energy Efficiency Project
GEF Grant TF012163
For the period from January 1, 2016 to September 14, 2016
In USD

Project Activities	ACTUAL		BUDGET		VARIANCE		PAD*
	Reporting period	Cumulative as at 14 Sep 2016	Reporting period	Cumulative as at 14 Sep 2016	Reporting period	Cumulative as at 14 Sep 2016	
Component 1- Energy Efficiency Investments in Public Facilities	2,520,269.96	6,364,770.89	2,520,269.96	6,364,770.89	-	-	700,000.00
Component 2- Technical Assistance	331,968.67	1,477,218.21	277,170.24	1,422,419.78	54,798.43	54,798.43	1,120,000.00
Total	2,852,238.63	7,841,989.10	2,797,440.20	7,787,190.67	54,798.43	54,798.43	1,820,000.00

* PAD amounts include only IBRD funds

SUMMARY OF SUMMARY REPORTS AND SOEs

Energy Efficiency Project

GEF Grant TF012163

For the period from January 1, 2016 to September 14, 2016

In USD

Application N	Expenditure category	Total	Value date
	2. Goods, consultants' services and Operating Costs under Part B of the Project		
16-DA	136,907.60	136,907.60	18-Mar-2016
17-DA	59,312.59	59,312.59	10-Jun-2016
18-DA	39,121.93	39,121.93	30-Jun-2016
19-DA	144,006.72	144,006.72	13-Sep-2016
Total	379,348.84	379,348.84	

Energy Efficiency Project

Special Purpose Financial Statements

For the period from January 1, 2016 to September 14, 2016

STATEMENT OF DESIGNATED ACCOUNT

Energy Efficiency Project

GEF Grant TF012163

For the period from January 1, 2016 to September 14, 2016

<u>Designated Account</u>	<u>GEF Grant TF012163</u>
Currency	USD
Account number	900000910175
Bank	Central Treasury
	4 Tigran Mets str., 1-st floor, Yerevan
Location	Republic of Armenia, 0010
	01.01.2016-
	14.09.2016
1. Opening balance	37,644.81
Add:	
2. Cumulative opening discrepancy	-
3. GEF advance/replenishment	235,342.12
Less:	
4. Refund to GEF from DA	-
5. Present outstanding amount advanced to DA	272,986.93
6. DA closing balance as at 14.09.2016	5,993.28
Add:	
7. Amount of eligible expenditures paid	266,993.65
8. Service charges (if debited into DA)	-
Less:	
9. Interest earned (if credited into DA)	-
10. Total advance/replenishment accounted for	272,986.93
11. Discrepancy (5)-(10)	-

Energy Efficiency Project

Special Purpose Financial Statements

For the period from January 1, 2016 to September 14, 2016

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

Energy Efficiency Project

GEF Grant TF012163

For the period from January 1, 2016 to September 14, 2016

1. General Information

1.1. Project Financing

According to the Agreement concluded between the Republic of Armenia and International Bank for Reconstruction and Development (IBRD) on 20 April 2012, IBRD acting as an Implementing Agency of the Global Environment Facility (GEF) provided the Republic of Armenia GEF Grant TF012163 in the amount of 1,820,000 United States dollars (USD).

Grant was provided for implementation of Energy Efficiency Project (the Project).

The Project financing agreement became effective on 10 August 2012.

The Closing date for the expenditures to be financed by the GEF Grant TF012163 is set on 30 June 2016. The grace period for withdrawal applications is set on 31 October 2016.

All the payments and withdrawal applications related to the GEF Grant TF012163 were completed as at 14 September 2016.

As at signing these special purpose financial statements, there are continuing and new contracts still in force under the scope of the Project. After the Closing date, 30 June 2016, of the GEF Grant TF012163, expenditures related to those contracts are wholly financed through the Revolving funds.

1.2. Project objectives

The objective of the Project is to reduce energy consumption in social and other public facilities through the removal of barriers to the implementation energy efficiency investments in the public sector.

The Project consists of the following parts:

- A – Energy Efficiency Investments in Public Facilities,
- B – Technical Assistance

1.3. Project Budget

The Project is being financed by the following sources:

- International Bank for Reconstruction and Development (IBRD), -100% financing exclusive of taxes.
- The Government of the Republic of Armenia (GoA) -taxes,
- Financing from Revolving funds of the Republic of Armenia.

Category	IBRD	Government of the RA	Revolving fund	Total
	USD	USD	USD	USD
Component 1- Energy Efficiency Investments in under Part A of the Project	700,000	140,000	6,000,000	6,840,000
Component 2- Goods, consultants' services and Operating Costs under Part B of the Project	1,120,000	160,000	540,000	1,820,000
Total	1,820,000	300,000	6,540,000	8,660,000

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 RA Government 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 31 December 2015 is 1 USD =483.75 AMD

The average exchange rate at currency market issued by the CBA as at 14 September 2016 is 1 USD =474.00 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	GEF Grant TF012163 USD	GoA USD	Revolving fund USD	Other* USD	Total USD
Reporting period					
1. Energy Efficiency Investments under Part A of the Project	-	-	2,503,519.99	16,749.97	2,520,269.96
2. Goods, consultants' services and Operating Costs under Part B the Project	264,792.80	25,305.63	41,870.24	-	331,968.67
Total	264,792.80	25,305.63	2,545,390.23	16,749.97	2,852,238.63
Cumulative as at 14.09.2016					
1. Energy Efficiency Investments under Part A of the Project	670,606.37	113,650.18	5,555,599.23	24,915.11	6,364,770.89
2. Goods, consultants' services and Operating Costs under Part B the Project	1,113,945.49	201,425.12	161,353.62	493.98	1,477,218.21
Total	1,784,551.86	315,075.30	5,716,952.85	25,409.09	7,841,989.10

**Expenses included in these columns have not been paid, as according to contracts these amounts were calculated as penalties and retained.*

4. Accounts payable

	14.09.2016 USD	01.01.2016 USD
Energy Efficiency Investments under Part A of the Project*	311,045.04	190,562.09
Goods, consultants' services and Operating Costs under Part B of the Project	-	2,361.03
Total	311,045.04	192,923.12

() As at reporting date the outstanding payables relate to construction works under the Project financed through Revolving funds. The list if those payables is as follows:*

Company	Contract	Completion date	Beneficiary	Amount of contract	Payable as at 14.09.2016	
				AMD	AMD	USD equivalent
"Mekusich" PC	EE-CW-50/2016	Sept. 2017	Vanadzor penitentiary	81,124,327	32,935,346	69,483.86
"Redinet" LLC	EE-CW-41/2015-2	Sept. 2017	Yerevan hospital penitentiary	229,000,000	114,500,000	241,561.18
				310,124,327	147,435,346	311,045.04

5. Prepayments

	14.09.2016 USD	01.01.2016 USD
Energy Efficiency Investments under Part A of the Project*	416,793.06	729,593.00
Total	416,793.06	729,593.00

(*) As at reporting date the outstanding prepayments relate to construction works under the Project financed through Revolving funds. The list of those payables is as follows:

Company	Contract	Completion date	Beneficiary	Amount of contract	Prepayments as at 14.09.2016	
				AMD	AMD	USD equivalent
“Araratshin” LLC- “Zet profil” LLC JV	EE-CW-51/2016	Dec 2017	Municipality of Hrazdan, kindergarten 12, kindergarten 13	206,600,000	41,320,000	87,173.00
“Zet profil” LLC- “Araratshin” LLC JV	EE-CW-52/2016	Feb 2018	Russian-Armenian Slavonic university	152,000,000	30,400,000	64,135.02
“Zet profil” LLC- “Araratshin” LLC JV	EE-CW-54/2016-1	Mar 2018	Qanaqer-Zeytun medical center CJSC	140,000,000	28,000,000	59,071.73
“Magh-shinanyut” LTD	EE-CW-45/2015-2	Nov 2017	Erebuni penitentiary	197,400,000	19,740,000	41,645.57
“Redinet” LLC	EE-CW-42/2015-2	Nov 2017	Nubarashen penitentiary	466,244,100	46,624,410	98,363.73
“Redinet” LLC	EE-CW-43/2015-1	Sep 2017	Sevan penitentiary	314,775,000	31,475,000	66,404.01
				1,477,019,100	197,559,410	416,793.06

6. Financing

6.1 GEF Grant TF 012163 financing

	Reporting period USD	As at 14.09.2016 Cumulative USD
Advance	(144,006.72)	5,993.28
SOE and Summary Reports	379,348.84	1,813,479.07
	235,342.12	1,819,472.35
Total financing budget		1,820,000.00
Percentage of finance provided as at 14 Sep 2016		100%

6.2 Government financing

	Reporting period USD	As at 14.09.2016 Cumulative USD
Contributions in cash	47,013.67	317,628.99
	47,013.67	317,628.99
Total financing budget		300,000.00
Percentage of finance provided as at 14 Sep 2016		106%

6.3 Financing from Revolving funds

	Reporting period USD	As at 14.09.2016 Cumulative USD
Contributions in cash	2,138,743.36	5,866,885.55
Total financing budget		6,540,000.00
Percentage of finance provided as at 14 Sep 2016		90%

7. Expenditure budget execution

Project components	Cumulative Expenditures as at 14 Sep 2016	Total budget	Execution
	USD	USD	%
Component 1- Energy Efficiency Investments in Public Facilities	6,364,770.89	6,840,000	93%
Component 2- Technical Assistance	1,477,218.21	1,820,000	81%
Total	7,841,989.10	8,660,000	91%

8. Project completion

The GEF Grant TF012163 financing was completed as at June 30, 2016 (Closing Date), and the transactions related to it were completed as at September 14, 2016 (the Reporting Date, or Grace Period).

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

- a. No expenses related to the GEF Grant TF012163 were incurred after the Closing Date; the payments made during the Grace period related to expenses incurred before the Closing Date;
- b. No withdrawals from GEF Grant TF012163 were made after Closing date;
- c. No expenditures related to the GEF Grant TF012163 were submitted to the WB after the Reporting date;
- d. The prepayments and payables outstanding to contractors on the Project as at the Reporting Date relate to construction works financed through the Revolving funds (note 5,6);
- e. The cash balance outstanding as at Reporting date consists:
 - Balance at GEF Grant TF012163 Designated account at the amount of USD 5,993.28 to be refunded to WB after paying for final audit service;
 - Balance at Revolving fund co financing account at the amount of USD 3,129.28 for paying accounts payable;
- 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

Energy Efficiency Project

GEF Grant TF012163

For the period from January 1, 2016 to September 14, 2016

In USD

Category	Appl. N	Fund	WB	Difference
Advance (repayment)	19-DA		(144,006.72)	
			(144,006.72)	
2. Goods, consultants' services and Operating Costs under Part B of the Project	16-DA	136,907.60	136,907.60	-
	17-DA	59,312.59	59,312.59	-
	18-DA	39,121.93	39,121.93	-
	19-DA	144,006.72	144,006.72	-
		379,348.84	379,348.84	
Total		379,348.84	235,342.12	