

POWER SECTOR FINANCIAL RECOVERY PROGRAM

IBRD LOAN NUMBER 8615-AM

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the period from 1 February 2016 to 31 December 2016

YEREVAN
June 2017

POWER SECTOR FINANCIAL RECOVERY PROGRAM

IBRD LOAN NUMBER 8615-AM

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND PRESENTATION OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 FEBRUARY 2016 TO 31 DECEMBER 2016

The Program is implemented through the Ministry of Energy Infrastructure and Natural Recourses of the Republic of Armenia ("MEINR") with the assistance of "Armenian Nuclear Power Plant" CJSC ("ANPP"), "Yerevan Thermal Power Centre" CJSC ("YTPC") and Public Services Regulator Commission of the Republic of Armenia ("PSRC").

The Program management is responsible for the preparation of the special purpose financial statements of "Power Sector Financial Recovery Program" (hereafter: the Program) financed by Loan Agreement IBRD Loan Number 8615-AM that present fairly the Program's expenditures by implementing entities, cash flows, Funds received, and movement of segregated accounts for the period from 1 February 2016 to 31 December 2016, in accordance with the International Public Sector Accounting Standard "Financial Reporting under the Cash Basis of Accounting" (IPSAS-Cash Basis) issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC) and the Financial Management Manual for World Bank Financed Investment Operations (WB Guidelines).

In preparing the special purpose financial statements, the Program management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional required disclosures for the period from 1 February 2016 to 31 December 2016.

Program management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Program;
- Maintaining adequate accounting records that are sufficient to show and explain the Program's transactions, and which enable them to ensure that the special purpose financial statements of the Program comply with *IPSAS – Cash Basis* and the *WB Guidelines*;
- Taking such steps that are reasonably available to them to safeguard the assets of the Program and to affirm that funds received have been used in accordance with the Loan Agreement IBRD Loan Number 8615-AM signed on 12 May 2016, and World Bank related guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided; and
- Preventing and detecting fraud and other errors.

The special purpose financial statements for the period from 1 February 2016 to 31 December 2016 were authorized for issue on 22 June 2017 by the Program management.

Boris Gyulumyan

Head of Financial Economic Department of MEINR

Sasun Khachatryan
General Director of YTPC

Movses Vardanyan
General Director of ANPP





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INDEPENDENT AUDITOR'S REPORT

To the Ministry of Energy Infrastructure and Natural Recourses of the Republic of Armenia ("MEINR")

Opinion

We have audited the special purpose financial statements of "Power Sector Financial Recovery Program" ("Program") financed by Loan Agreement IBRD Loan Number 8615-AM signed on 12 May 2016 ("Loan Agreement"), and implemented by MEINR, with the assistance of "Armenian Nuclear Power Plant" CJSC ("ANPP"), "Yerevan Thermal Power Centre" CJSC ("YTPC") and Public Services Regulator Commission of the Republic of Armenia ("PSRC"), which comprise the statement of program expenditures by implementing entities, statement of fund received under categories, statement of funds received under program activities, Summary of Funds received under each DLI, and the statement of segregated accounts for the period from 1 February 2016 to 31 December 2016, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion,

1. the accompanying financial statements present fairly, in all material respects, the cash flows for the period from 1 February 2016 to 31 December 2016 in accordance with International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting, (IPSAS-Cash Basis)*;
2. funds have been used in accordance with the conditions of the Loan Agreement concluded between the International Bank for Reconstruction and Development (IBRD) and the Republic of Armenia, and WB 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 kept in respect of all Program ventures. Respective reports issued during the period were in agreement with the underlying books of account;
4. The Segregated accounts used has been maintained in accordance with the provision of the Loan Agreement, and World Bank related guidelines;

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Program, of the MEINR, of the ANPP, of the YTPC and of the PSRC in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical requirements in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Responsibilities of the Management for the Financial Statements

Management of the Program is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board (IPSASB) of the IFAC and Financial Management Manual for World Bank Financed Investment Operations ("WB Guidelines"), 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 for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the special purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

"SOS-Audit" LLC
22 June 2017



Manvel Ghazaryan
Director


Gnel Khachatryan, FCCA
Auditor

Power Sector Financial Recovery Program
IBRD Loan Number 8615-AM

Statement of program expenditure by implementing entities
For the period from 1 February 2016 to 31 December 2016
(Amounts are shown in US dollars)

Program Expenditure	Actual*		Budget Cumulative for the Project	Implementation Cumulative %
	Reporting period	Cumulative as at 31.Dec.2016		
ANPP				
Refinancing of commercial loans	8,525,191	8,525,191	8,525,191	100%
	8,525,191	8,525,191	8,525,191	100%
YTPC				
Repayment of the payable for natural gas (the payable under the contract with Yerevan GGM of Gazprom Armenia CJSC for supply of gas to generate power for domestic needs)	18,807,670	18,807,670	16,973,996	111%
Overhaul of the gas turbine	846,084	846,084	12,821,981	7%
Refinancing of commercial loans	4,604,073	4,604,073	4,603,522	100%
Program audits and IVA	9,342	9,342	300,000	3%
	24,267,169	24,267,169	34,699,499	70%
Total	32,792,360	32,792,360	43,224,690	76%

(*) Actual amounts paid in AMD or EUR translated into USD applying exchange rate as at baseline date, 1 February 2016 (Note 2.3).



Boris Gyulumyan
Head of Financial/Economic Department of MEINR



The notes on pages 13-20 form an integral part of these special purpose financial statements.

Power Sector Financial Recovery Program
IBRD Loan Number 8615-AM

Statement of funds received under categories

For the period from 1 February 2016 to 31 December 2016
(Amounts are shown in US dollars)

	Actual		Budget		Variance	
	Reporting period	Cumulative as at 31.Dec.2016	Reporting period	Cumulative as at 31.Dec.2016	Reporting period	Cumulative as at 31.Dec.2016
Opening Uncovered DLI Advance	-	-				
SOURCES OF FUNDS						
IBRD Loan Number 8615-AM	23,668,595	23,668,595				
Co-financing of YTPC	826,715	826,715				
Total	24,495,310	24,495,310				
WITHDRAWAL CATEGORIES						
(1) DLI#1: Decision at shareholder meetings						
YTPC	2,832,000	2,832,000	2,832,000	2,832,000	-	-
ANPP	2,024,880	2,024,880	2,024,880	2,024,880	-	-
(2) DLI#2: Liquidation of Haigasard						
YTPC	807,120	807,120	807,120	807,120	-	-
ANPP	-	-	1,000,000	1,000,000	(1,000,000)	(1,000,000)
(3) DLI#3: No new non-core business expenditure of ANPP						
YTPC	-	-	715,000	715,000	(715,000)	(715,000)
ANPP	-	-	285,000	285,000	(285,000)	(285,000)
(4) DLI#4: No new non-core business expenditure of YTPC						
YTPC	-	-	-	-	-	-
ANPP	-	-	-	-	-	-
(5) DLI#5: Reduce of principal amount of loan of ANPP						
YTPC	4,259,595	4,259,595	2,500,000	2,500,000	1,759,595	1,759,595
ANPP	3,045,611	3,045,611	1,787,500	1,787,500	1,258,111	1,258,111
(6) DLI#6: Reduce of principal amount of loan of YTPC						
YTPC	1,213,984	1,213,984	712,500	712,500	501,484	501,484
ANPP	2,300,000	2,300,000	500,000	500,000	1,800,000	1,800,000
(7) DLI#7: Reduce of gas payable of YTPC						
YTPC	1,644,500	1,644,500	357,500	357,500	1,287,000	1,287,000
ANPP	655,500	655,500	142,500	142,500	513,000	513,000
	4,982,000	4,982,000	1,500,000	1,500,000	3,482,000	3,482,000
	3,562,130	3,562,130	1,072,500	1,072,500	2,489,630	2,489,630
	1,419,870	1,419,870	427,500	427,500	992,370	992,370

Power Sector Financial Recovery Program
IBRD Loan Number 8615-AM

Statement of funds received under categories
For the period from 1 February 2016 to 31 December 2016
(Amounts are shown in US dollars)

	Actual		Budget		Variance	
	Reporting period	Cumulative as at 31.Dec.2016	Reporting period	Cumulative as at 31.Dec.2016	Reporting period	Cumulative as at 31.Dec.2016
(8) DLI#8: ENAs tariff margin for each period						
YTPC	1,000,000	1,000,000	1,000,000	1,000,000	-	-
ANPP	715,000	715,000	715,000	715,000	-	-
(9) DLI#9: Tariffs for YTPC and Hrazdan TPP						
YTPC	285,000	285,000	285,000	285,000	-	-
ANPP	1,000,000	1,000,000	1,000,000	1,000,000	-	-
(10) DLI#10: Electricity supplied by YTPC is maintained						
YTPC	715,000	715,000	715,000	715,000	-	-
ANPP	285,000	285,000	285,000	285,000	-	-
(11) Front-end fee						
YTPC	-	-	-	-	-	-
ANPP	-	-	-	-	-	-
Renovation of gas-turbine of YTPC						
YTPC	75,000	75,000	75,000	75,000	-	-
	53,625	53,625	53,625	53,625	-	-
	21,375	21,375	21,375	21,375	-	-
	826,715	826,715	826,715	826,715	-	-
	826,715	826,715	826,715	826,715	-	-
Total	17,275,310	17,275,310	11,233,715	11,233,715	6,041,595	6,041,595
Closing Uncovered DLI Advance	7,220,000	7,220,000				

Closing Uncovered DLI Advance



Sasun Khachatryan
 General Director of YTPC

22 June 2017

The notes on pages 13-20 form an integral part of these special purpose financial statements.



Boris Gyulanyan
 Head of Financial Economic Department of MEINR

Movses Vardanyan
 General Director of ANPP

Power Sector Financial Recovery Program
IBRD Loan Number 8615-AM

Statement of funds received under program activities
For the period from 1 February 2016 to 31 December 2016
(Amounts are shown in US dollars)

Activity	Actual		Planned		Variance	
	Reporting period	Cumulative as at 31.Dec.2016	Reporting period	Cumulative as at 31.Dec.2016	Reporting period	Cumulative as at 31.Dec.2016
A. Elimination of non-core business related cash flows						
A.1. No new non-core business expenditures						
YTPC	2,832,000	2,832,000	3,832,000	3,832,000	(1,000,000)	(1,000,000)
ANPP	2,832,000	2,832,000	2,832,000	2,832,000	-	-
	2,024,880	2,024,880	2,024,880	2,024,880	-	-
	807,120	807,120	807,120	807,120	-	-
A.2. Liquidation of Haigasard state-owned CJSC						
YTPC	-	-	1,000,000	1,000,000	(1,000,000)	(1,000,000)
ANPP	-	-	715,000	715,000	(715,000)	(715,000)
	-	-	285,000	285,000	(285,000)	(285,000)
B. Reduction of expensive loans						
YTPC	6,559,595	6,559,595	3,000,000	3,000,000	3,559,595	3,559,595
ANPP	4,690,111	4,690,111	2,145,000	2,145,000	2,545,111	2,545,111
	1,869,484	1,869,484	855,000	855,000	1,014,484	1,014,484
C. Repayment of the payable of YTPC with Yerevan GGM branch of Gazprom Armenia CJSC						
YTPC	4,982,000	4,982,000	1,500,000	1,500,000	3,482,000	3,482,000
ANPP	3,562,130	3,562,130	1,072,500	1,072,500	2,489,630	2,489,630
	1,419,870	1,419,870	427,500	427,500	992,370	992,370
D. Modification of tariffs to fully reflect the cost of electricity supply						
D.1. Amendment of ENA's license to allow tariff adjustment related to cost of electricity purchased						
YTPC	2,000,000	2,000,000	2,000,000	2,000,000	-	-
ANPP	1,000,000	1,000,000	1,000,000	1,000,000	-	-
	715,000	715,000	715,000	715,000	-	-
	285,000	285,000	285,000	285,000	-	-
D.2. Revision of tariff-setting methodology related to FX on gas purchase						
YTPC	1,000,000	1,000,000	1,000,000	1,000,000	-	-
ANPP	715,000	715,000	715,000	715,000	-	-
	285,000	285,000	285,000	285,000	-	-
E. Maintenance of the generation capacity of the gas turbine at the YTPC						
YTPC	-	-	-	-	-	-
ANPP	-	-	-	-	-	-

Power Sector Financial Recovery Program
IBRD Loan Number 8615-AM

Statement of funds received under program activities
For the period from 1 February 2016 to 31 December 2016
(Amounts are shown in US dollars)

Activity	Actual		Planned		Variance	
	Reporting period	Cumulative as at 31.Dec.2016	Reporting period	Cumulative as at 31.Dec.2016	Reporting period	Cumulative as at 31.Dec.2016
Front-end fee						
YTPC	75,000	75,000	75,000	75,000	-	-
ANPP	53,625	53,625	53,625	53,625	-	-
Renovation of gas-turbine of YTPC	21,375	21,375	21,375	21,375	-	-
YTPC	826,715	826,715	826,715	826,715	-	-
	826,715	826,715	826,715	826,715	-	-
Total	17,275,310	17,275,310	11,233,715	11,233,715	6,041,595	6,041,595



Sasun Khachatryan
General Director of YTPC

22 June 2017

The notes on pages 13-20 form an integral part of these special purpose financial statements.

Boris Gyulumyan
Head of Financial Economic Department of MEINR



Movses Vardanyan
General Director of ANPP

Power Sector Financial Recovery Program
IBRD Loan Number 8615-AM

Summary of funds received under each DLI
For the period from 1 February 2016 to 31 December 2016
(Amounts are shown in US dollars)

IBRD Loan Number 8615-AM

Application #	Value date	DLI Advance/ (Advance recovery)	(1) DLI#1: Decision at shareholder meetings	(2) DLI#2: Liquidation of Haigasard	(3) DLI#3: No new non-core business expenditure of ANPP	(4) DLI#4: No new non-core business expenditure of YTPC	(5) DLI#5: Reduce of principal amount of loan of ANPP	(6) DLI#6: Reduce of principal amount of loan of YTPC	(7) DLI#7: Reduce of gas payable of YTPC	(8) DLI#8: ENAs tariff margin for each period	(9) DLI#9: Tariffs for YTPC and Hrazdan TTP	Electricity supplied by YTPC is maintained	(11) Front-end fee	Total Documented	Total paid
19 Jul 2016	-	-	-	-	-	-	-	-	-	-	-	-	75,000.00	75,000.00	75,000.00
1-Y 4 Aug 2016	5,162,300.00	-	-	-	-	-	-	-	-	-	-	-	-	-	5,162,300.00
1-A 11 Aug 2016	2,057,700.00	-	-	-	-	-	-	-	-	-	-	-	-	-	2,057,700.00
2-Y 24 Aug 2016	(3,045,610.78)	2,024,880.00	-	-	-	-	3,045,610.78	-	3,562,130.00	715,000.00	715,000.00	-	-	10,062,620.78	7,017,010.00
2-A 24 Aug 2016	(1,213,984.71)	807,120.00	-	-	-	-	1,213,984.71	-	1,419,870.00	285,000.00	285,000.00	-	-	4,010,974.71	2,796,990.00
3-Y 12 Sep 2016	3,045,610.78	-	-	-	-	-	-	-	-	-	-	-	-	-	3,045,610.78
3-A 12 Sep 2016	1,213,984.71	-	-	-	-	-	-	-	-	-	-	-	-	-	1,213,984.71
4-Y 16 Sep 2016	-	-	-	-	-	-	-	1,644,500.00	-	-	-	-	-	1,644,500.00	1,644,500.00
4-A 16 Sep 2016	-	-	-	-	-	-	-	655,500.00	-	-	-	-	-	655,500.00	655,500.00
Total for the reporting period	7,220,000.00	2,832,000.00	-	-	-	-	4,259,595.49	2,300,000.00	4,982,000.00	1,000,000.00	1,000,000.00	-	75,000.00	16,448,595.49	23,668,595.4
Cumulative as at 31-Dec-2016	7,220,000.00	2,832,000.00	-	-	-	-	4,259,595.49	2,300,000.00	4,982,000.00	1,000,000.00	1,000,000.00	-	75,000.00	16,448,595.49	23,668,595.4

(*) Withdrawal application with "Y" relates to YTPC, and with "A" to ANPP.

Sasun Khachatryan
General Director of YTPC

Boris Gyulumyan
Head of Financial Economics Department of MEINR

Movses Vardanyan
General Director of ANPP

22 June 2017
The notes on pages 13-20 form an integral part of these special purpose financial statements.

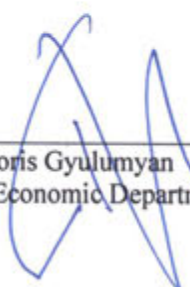
Statement of Segregated Accounts


For the period from 1 February 2016 to 31 December 2016

(Amounts are shown in US dollars)

Entity	YTPC	ANPP	
Segregated account (SA) bank number	900000902438	900000902453	
Bank	Central Treasury of the Republic of Armenia		
Bank location	Meliq Adamyan Street 1, Yerevan, Republic of Armenia, 0010		
Account currency	USD	USD	

	YTPC	ANPP	Total
	For the period from 1 Feb 2016 to 31 Dec 2016		
	USD	USD	USD
1. Opening balance as at 1.Feb.2016	-	-	-
2. Add: opening discrepancy	-	-	-
3. WB advance/replenishment	16,869,420.78	6,724,174.71	23,593,595.49
4. Less: Refund to WB from SA	-	-	-
5. Present outstanding amount advanced to SA	16,869,420.78	6,724,174.71	23,593,595.49
6. SA closing balance as at 31.Dec.2016	-	0.71	0.71
7. Add: Amount of eligible expenditures paid	16,869,420.78	6,724,174.00	23,593,594.78
8. Less: interest earned (if credited to SA)	-	-	-
9. Total advance accounted for	16,869,420.78	6,724,174.71	23,593,595.49
10. Closing discrepancy (5)-(9)	-	-	-


Boris Gyulumyan
Head of Financial Economic Department of MEINR


Sasun Khachatryan
General Director of YTPC


Movses Vardanyan
General Director of ANPP

22 June 2017

The notes on pages 13-20 form an integral part of these special purpose financial statements.

Notes to the special purpose financial statements

For the period from 1 February 2016 to 31 December 2016

(Amounts are shown in US dollars)

1. General information

1.1. The Program

The Power Sector Financial Recovery Program ("Program") is implemented in accordance with the Republic of Armenia Government resolution N 6 dated February 18, 2016. The Program objective is to maintain adequate and reliable electricity supply through improvement of the financial standing of the state-owned power generation companies and the private power distribution company.

The Program carries out through the Ministry of Energy and Natural Resource of the Republic of Armenia (MENR), with the assistance of "Armenian Nuclear Power Plant" CJSC (ANPP), "Yerevan Thermal Power Centre" CJSC (YTPC) and Public Services Regulator Commission (PSRC).

The total cost of the Program is assessed 43,224,690 United States dollars (USD), of which USD 30,000,000 million is financed under the Loan Agreement 8615-AM signed on May 12, 2016 between the Republic of Armenia and International Bank for Reconstruction and Development ("IBRD" or "WB").

The payment currency of IBRD Loan Number 8615-AM is United States dollars (USD).

The Closing date of IBRD Loan Number 8615-AM is set 30 July 2021.

The Grace Period for submitting withdrawal application for expenditures incurred before the Closing date is six months following the Closing date: 31 January 2022.

1.2. Subsidiary agreements

According to the Loan Agreement, the ANPP receives 28.5% of the Loan proceeds and the YTPC receives 71.5% of the Loan proceeds subject to the achievement of the Disbursement Linked Results ("DLRs") and/or Disbursement Linked Indicators ("DLIs") set forth in the table IV.A.2. of Schedule 2 of the Loan Agreement and corresponding verification process.

For this purpose a subsidiary agreements were concluded between the Ministry of Finance of the Republic of Armenia (MoF) and the ANPP, and the MoF and the YTPC both on 14 June 2016, according to which they will receive sub-loans in the amount of 8,550,000 USD and 21,450,000 USD, respectively, as the terms of the Loan agreements are achieved.

1.3. The Program objectives

The Program consists of the following activities:

A. Elimination of cash outflows of state-owned power companies for non-core business related reasons through: (i) establishment of a prohibition of non-core business related expenditures, lending, and borrowing for ANPP and YTPC; and (ii) liquidation of Haigasard state-owned CJSC.

B. Reduction of expensive commercial loans and recovery of receivables through: (i) refinancing of the principal amounts of commercial loans of ANPP and YTPC listed in Supplemental Letter; and (ii) recovery of receivables of ANPP and YTPC for electricity supplied to Electric Networks of Armenia (ENA).

C. Repayment of the payable of YTPC with Yerevan GGM branch of Gazprom Armenia CJSC under a contract referred to in Supplemental Letter No. 3.

D. Modification of tariffs to fully reflect the cost of electricity supply through: (i) amendment of ENA's license to allow adjusting the tariff margin by the full size of loss (profit) incurred due to

Notes to the special purpose financial statements

For the period from 26 February 2016 to 31 December 2016

(Amounts are shown in US dollars)

mismatch between actual and forecast cost of electricity purchased by ENA; and (ii) revision of tariff-setting methodology to allow adjusting the tariff by the full size of natural gas purchase related loss (profit) incurred due to fluctuation of AMD/US\$ exchange rate.

E. Maintenance of the generation capacity of the gas turbine at YTPC's Combined Cycle Gas Turbine plant (CCGT), through replacement of some components of the gas turbine.

1.4. The Program Budget

The Program is financed by:

- IBRD Loan Number 8615-AM
- YTPC internally generated funds.

Category	IBRD Loan Number 8615- AM	YTPC	Total
	USD	USD equivalent	USD equivalent
(1) DLI#1: Decision at shareholder meetings	2,832,000	-	2,832,000
(2) DLI#2: Liquidation of Haigasard	2,000,000	-	2,000,000
(3) DLI#3: No new non-core business expenditure of ANPP	2,500,000	-	2,500,000
(4) DLI#4: No new non-core business expenditure of YTPC	2,500,000	-	2,500,000
(5) DLI#5: Reduce of principal amount of loan of ANPP	4,260,000	-	4,260,000
(6) DLI#6: Reduce of principal amount of loan of YTPC	2,300,000	-	2,300,000
(7) DLI#7: Reduce of gas payable of YTPC	4,982,000	-	4,982,000
(8) DLI#8: ENAs tariff margin for each period	2,000,000	-	2,000,000
(9) DLI#9: Tariffs for YTPC and Hrazdan TPP	2,000,000	-	2,000,000
(10) DLI#10: Electricity supplied by YTPC is maintained	4,551,000	-	4,551,000
Renovation of gas-turbine of the YTPC	-	13,224,690	13,224,690
Front-end fee	75,000	-	75,000
Total	30,000,000	13,224,690	43,224,690

1.5. Program Implementation

The Program is implemented through the Ministry of Energy Infrastructure and Natural Resources of the Republic of Armenia ("MEINR") with the assistance of "Armenian Nuclear Power Plant" CJSC ("ANPP"), "Yerevan Thermal Power Centre" CJSC ("YTPC") and Public Services Regulator Commission of the Republic of Armenia ("PSRC") (all together "Program management").

The MEINR address is: 2, Pavstos Buzand Street, Yerevan, Republic of Armenia, 0010;

The YTPC address is: Building 3, Arin-Berd street 3rd, Yerevan, Republic of Armenia, 0053;

The ANPP address is: Town Metsamor, Armavir marz, Republic of Armenia, 0910;

The PSRC address is: Building 22, Saryan street, Yerevan, Republic of Armenia, 0002.

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2. Summary of significant accounting policies

2.1. Preparation and presentation of financial statements

The special purpose financial statements are prepared in accordance with the International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting* (IPSAS-Cash Basis), issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC), and presented in accordance with Financial Management Manual for World Bank Financed Investment Operations (March 2010): RM 3 – Financial Reporting and Auditing.

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below. These policies have been consistently applied to all the periods presented.

2.2 Cash basis of accounting

Program financing is recognised as a source of Program funds when the cash is received. Program expenditures are recognised as a use of Program funds when the payments are made.

2.3 Reporting currency

The reporting currency of these special purpose financial statements is United States dollars (USD). The cofinancing received and expenditures made in local currency, Armenian Drams (AMD), or Euro (EUR) are translated into USD based at the exchange rate prevailing at the date of the transaction as issued by the Central Bank of the Republic of Armenia ("CBRA"). However, for the purpose of presenting *Statement of Program Expenditures by Implementing Entities*, the exchange rate of non-USD expenditures are translated applying CBRA issued exchanged rates prevailing at the baseline year, 1 February 2016, as that exchange rate is applied to assess the compliance of results achieved, as measured to DLIs (Note 1.2) that has results monetary thresholds determined in USD underlying currency.

The exchange rate defined by the CBRA on USD/EUR rate on AMD is as follows:

Date	USD	EUR
1 February 2016	489.16	531.03
31 December 2016	483.94	512.20

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3. Progress of Loan proceeds withdrawal

Category	Cumulative Withdrawal as at 31 Dec 2016	Cumulative total budget of the Project	Execution
	USD	USD	%
(1) DLI#1: Decision at shareholder meetings	2,832,000	2,832,000	100%
(2) DLI#2: Liquidation of Haigasard	-	2,000,000	-
(3) DLI#3: No new non-core business expenditure of ANPP	-	2,500,000	-
(4) DLI#4: No new non-core business expenditure of YTPC	-	2,500,000	-
(5) DLI#5: Reduce of principal amount of loan of ANPP	4,259,595	4,260,000	100%
(6) DLI#6: Reduce of principal amount of loan of YTPC	2,300,000	2,300,000	100%
(7) DLI#7: Reduce of gas payable of YTPC	4,982,000	4,982,000	100%
(8) DLI#8: ENAs tariff margin for each period	1,000,000	2,000,000	50%
(9) DLI#9: Tariffs for YTPC and Hrazdan TPP	1,000,000	2,000,000	50%
(10) DLI#10: Electricity supplied by YTPC is maintained	-	4,551,000	-
Renovation of gas-turbine of the YTPC	826,715	13,224,690	6%
Front-end fee	75,000	75,000	100%
Total	17,275,310	43,224,690	40%

4. Financing

4.1. IBRD Loan Number 8615-AM

	Reporting period USD	Cumulative as at 31 Dec 2016 USD
DLI advance/ (advance recovery)	7,220,000.00	7,220,000.00
DLI payment	16,373,595.49	16,373,595.49
Front-end fee	75,000.00	75,000.00
Total	23,668,595.49	23,668,595.49
Total financing budget		30,000,000
Percentage of finance provided as at 31 Dec 2016		79%

4.2. YTPC co-financing

	Reporting year USD	Cumulative as at 31 Dec 2016 USD
In-cash	826,715	826,715
Total financing budget		13,224,690
Percentage of finance provided as at 31 Dec 2016		6%

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Notes to the special purpose financial statements

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(Amounts are shown in US dollars)

5. DLIs/DLRs implementation progress

DLIs	DLRs	Progress of implementation as at 31 Dec 2016	Corresponding verification process	Amount of Loan Allocated (USD)	Amount of Loan Proceed Cumulative as at 31 Dec 2016 (USD)
(1) DLI#1: Decision at shareholder meetings	DLR #1: Shareholders of ANPP and YTPC have met and made a decision prohibiting their non-core business related expenditures	Implemented by 30.06.2016	WB conformed on 16.08.2016	2,832,000	2,832,000
	DLR#2.1: Shareholders of Haigasard met and (i) made a decision to liquidate, and (ii) approved the liquidation plan	Implemented by 31.12.2016	WB conformed on 16.02.2017	1,000,000	-
	DLR#2.2: Liquidation Commission appointed has completed the revaluation of assets of the company			500,000	-
	DLR#2.3: Haigasard's liquidation is completed and registered by State Registry of the Legal Entities			500,000	-
(2) DLI#2: Liquidation of Haigasard	Subtotal			2,000,000	-
	DLR#3.1: ANPP has not incurred in any new non-core business related expenditures, borrowing and lending for FY 2016			1,900,000	-
	DLR#3.2: ANPP has not incurred in any new non-core business related expenditures, borrowing and lending for FY 2017			200,000	-
	DLR#3.3: ANPP has not incurred in any new non-core business related expenditures, borrowing and lending for FY 2018			200,000	-
(3) DLI#3: No new non-core business expenditure of ANPP	DLR#3.4: ANPP has not incurred in any new non-core business related expenditures, borrowing and lending for FY 2019			200,000	-
	Subtotal			2,500,000	-
	DLR#4.1: YTPC has not incurred in any new non-core business related expenditures, borrowing and lending for FY 2016			1,900,000	-
	DLR#4.2: YTPC has not incurred in any new non-core business related expenditures, borrowing and lending for FY 2017			200,000	-
(4) DLI#4: No new non-core business expenditure of YTPC	DLR#4.3: YTPC has not incurred in any new non-core business related expenditures, borrowing and lending for FY 2018			200,000	-
	DLR#4.4: YTPC has not incurred in any new non-core business related expenditures, borrowing and lending for FY 2019			200,000	-
	Subtotal			2,500,000	-

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DLIs	DLRs	Progress of implementation as at 31 Dec 2016	Corresponding verification process	Amount of Loan Allocated (USD)	Amount of Loan Proceed Cumulative as at 31 Dec 2016 (USD)
(5) DLI#5: Reduce of principal amount of loan of ANPP	DLR#5.1: ANPP has reduced the principal amount of the outstanding commercial loans by at least USD 2,172,000 during 01.02.2016-11.05.2016	Implemented as at 11.05.2016	WB conformed on 16.08.2016	1,086,000	1,085,595
	DLR#5.2: ANPP has reduced the principal amount of the outstanding commercial loans by at least USD 2,828,000 during 12.05.2016-31.12.2016	Implemented as at 30.06.2016, so settling all selected loans		1,414,000	1,414,000
	DLR#5.3: ANPP has reduced the principal amount of the outstanding commercial loans by at least USD 3,520,000 during FY 2017			1,760,000	1,760,000
	Subtotal			4,260,000	4,259,595
	DLR#6.1: YTPC has reduced the principal amount of the outstanding commercial loans by at least USD 1,000,000 during 01.02.2016-30.06.2016	Implemented as at 11.05.2016	WB conformed on 06.09.2016	500,000	500,000
(6) DLI#6: Reduce of principal amount of loan of YTPC	DLR#6.2: YTPC has reduced the principal amount of the outstanding commercial loans by at least USD 1,600,000 during 01.07.2016-31.12.2016	Implemented as at 10.08.2016, so settling all selected loans		800,000	800,000
	DLR#6.3: YTPC has reduced the principal amount of the outstanding commercial loans by at least USD 3,520,000 during FY 2017			1,000,000	1,000,000
	Subtotal			2,300,000	2,300,000
	DLR#7.1: YTPC's payable under this contract reduced to AMD 10,861,961,848 as at 12.05.2016	Implemented as at 11.05.2016	WB conformed on 16.08.2016	780,000	780,000
	DLR#7.2: YTPC's payable under this contract reduced to AMD 10,661,961,848 as at 30.06.2016	Implemented as at 30.06.2016		120,000	120,000
(7) DLI#7: Reduce of gas payable of YTPC	DLR#7.3: YTPC's payable under this contract reduced to AMD 9,661,961,848 as at 31.12.2016			600,000	600,000
	DLR#7.4: YTPC's payable under this contract reduced to AMD 8,161,961,848 as at 30.06.2017			900,000	900,000
	DLR#7.5: YTPC's payable under this contract reduced to AMD 6,661,961,848 as at 31.12.2017			1,200,000	1,200,000
	DLR#7.6: YTPC's payable under this contract reduced to AMD 5,161,961,848 as at 31.12.2018			600,000	600,000
	DLR#7.7: YTPC's payable under this contract reduced to AMD 4,161,961,848 as at 31.12.2019			600,000	600,000
	DLR#7.8: YTPC's payable under this contract reduced to AMD 3,858,961,848 as at 31.12.2020			182,000	182,000
	Subtotal			4,982,000	4,982,000

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DLIs	DLRs	Progress of implementation as at 31 Dec 2016	Corresponding verification process	Amount of Loan Allocated (USD)	Amount of Loan Proceed Cumulative as at 31 Dec 2016 (USD)
(8) DLI#8: ENAs tariff margin for each period	DLR#8.1: ENA's license is amended by PSRC by 30.06.2016 and ENA's margin is adjusted by 31.12.2016	Implemented by 30.06.2016	WB conformed on 16.08.2016	1,000,000	1,000,000
	DLR#8.2: ENA's margin is adjusted by PSRC by 31.12.2017			400,000	-
	DLR#8.3: ENA's margin is adjusted by PSRC by 31.12.2018			200,000	-
	DLR#8.4: ENA's margin is adjusted by PSRC by 31.12.2019			200,000	-
	DLR#8.5: ENA's margin is adjusted by PSRC by 31.12.2020			200,000	-
	Subtotal			2,000,000	1,000,000
(9) DLI#9: Tariffs for YTPC and Hrazdan TPP	DLR#9.1: Tariff setting methodology is revised by PSRC by 30.06.2016 and tariffs for YTPC and Hrazdan TPP for each new tariff period are revised by PSRC by 31.12.2016	Implemented by 30.06.2016	WB conformed on 16.08.2016	1,000,000	1,000,000
	DLR#9.2: Tariffs for YTPC and Hrazdan TPP for each new tariff period are revised by PSRC by 31.12.2017			400,000	-
	DLR#9.3: Tariffs for YTPC and Hrazdan TPP for each new tariff period are revised by PSRC by 31.12.2018			200,000	-
	DLR#9.4: Tariffs for YTPC and Hrazdan TPP for each new tariff period are revised by PSRC by 31.12.2019			200,000	-
	DLR#9.5: Tariffs for YTPC and Hrazdan TPP for each new tariff period are revised by PSRC by 31.12.2020			200,000	-
	Subtotal			2,000,000	1,000,000
(10) DLI#10: Electricity supplied by YTPC is maintained	DLR#10.1: YTPC supplied to the power transmission network at least 1400GWh of electricity during FY2016	Implemented	WB conformed on 16.02.2017	1,721,000	-
	DLR#10.2: YTPC supplied to the power transmission network at least 1400GWh of electricity during FY2017			1,630,000	-
	DLR#10.3: YTPC supplied to the power transmission network at least 1400GWh of electricity during FY2018			400,000	-
	DLR#10.4: YTPC supplied to the power transmission network at least 1400GWh of electricity during FY2019			400,000	-
	DLR#10.5: YTPC supplied to the power transmission network at least 1400GWh of electricity during FY2020			400,000	-
	Subtotal			4,551,000	-
(11) Front-end fee	N/a	n/a	n/a	75,000	75,000
Total				30,000,000	16,448,595

6. Program Expenditures in relative currencies

Program Expenditure	Actual
	Reporting period
ANPP	
Refinancing of commercial loans	EUR 2,000,000.00 USD 6,354,000.00
YTPC	
Repayment of the payable for natural gas (the payable under the contract with Yerevan GGM of Gazprom Armenia CJSC for supply of gas to generate power for domestic needs)	AMD 9,199,959,708.00
Overhaul of the gas turbine	EUR 779,373.00
Refinancing of commercial loans	USD 650,000.00 EUR 3,642,307.45
Program audits and IVA	AMD 4,569,920.00

7. Use of Loan proceeds by YTPC and ANPP

Nature of proceeds used	YTPC	ANPP	Total
	USD	USD	USD
Paying for energy input supply	12,179,310	4,854,690	17,034,000
Repayment of commercial loan balance	4,690,111	-	4,690,111
Total amount used during 01.02.2016-31.12.2016	16,869,421	4,854,690	21,724,111
Proceeds received during 01.02.2016-31.12.2016	16,869,421	6,724,175	23,593,596
Opening unused amount as at 01.02.2016	-	-	-
Closing unused amount as at 31.12.2016*	-	1,869,485	1,869,485

(*) The balance at ANPP was used to pay energy input supply of 1,869,484 USD on 3 January 2017.

8. Event after reporting date

After the reporting date, the following conformation of results achieved was approved by the WB against the DLI Advance outstanding.

Application #	Date	DLI Advance/ (Advance recovery)	(2) DLI#2: Liquidation of Haigasard	(10) DLI#10: Electricity supplied by YTPC is maintained	Total Documented	Total paid
DLI Advance recovery	10.Mar.2017	(1,000,000.00)	1,000,000.00	-	1,000,000.00	-
DLI Advance recovery	10.Mar.2017	(1,721,000.00)	-	1,721,000.00	1,721,000.00	-
Total		(2,721,000.00)	1,000,000.00	1,721,000.00	2,721,000.00	-

9. Litigations

There are no pending litigations related to the Program as at reporting date and as at approval date of these financial statements.