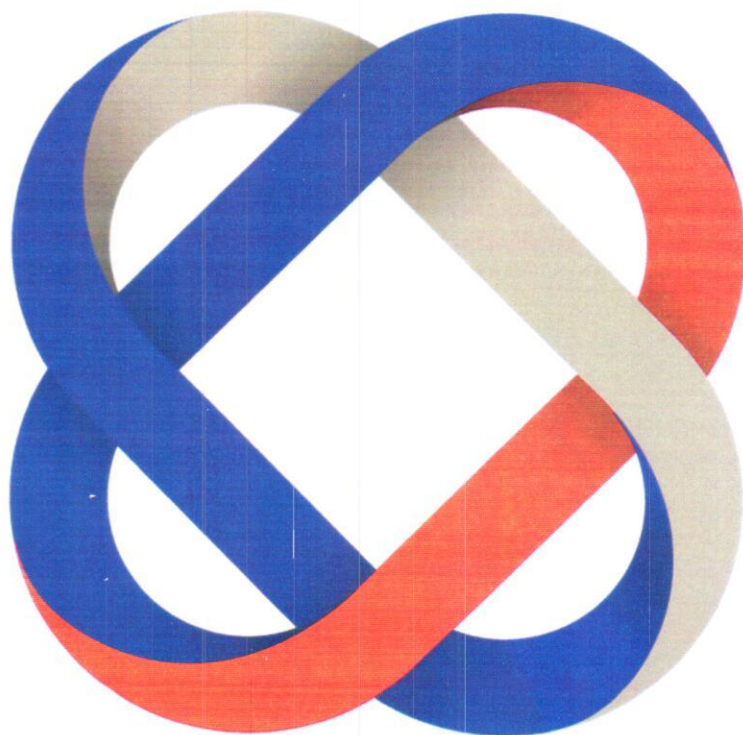


# **Grant Project Financial Statements and Independent Auditor's Report**

**“Armenian National Agrarian University” Foundation**

**“Development of Scientific-Industrial Component of  
Oenological Education” Project**

As of 28 February 2018 and for the period from 24 December  
2015 until 28 February 2018



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# Independent auditor's report

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To the management of the State Agency "Center for Education Projects" Project Implementation Unit"

## *Opinion*

We have audited the Grant project financial statements of the "Development of Scientific-Industrial Component of Oenological Education" Grant project (the "Project") financed within the scope of Competitive Innovation Fund (the "CIF"), which comprise the statement of financial position as of 28 February 2018, the statement of project sources and uses of funds, the statement of uses of funds by project main categories of expenditures, the grant operating account statement and the co-financing operating account statement for the period from 24 December 2015 until 28 February 2018, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying Grant project financial statements give a true and fair view of the financial position of the "Development of Scientific-Industrial Component of Oenological Education" Grant project as of 28 February 2018, and of the funds received and expenses incurred for the period from 24 December 2015 until 28 February 2018, in accordance with the accounting policies described in note 2, the relevant points of the Grant Agreement 3/15-CIF and the Operational Manual for Competitive Innovation Fund.

## *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Grant Project Financial Statements* section of our report. We are independent of "Armenian National Agrarian University" Foundation (the "ANAU") in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Emphasis of Matter*

We draw attention to note 2 to the Grant project financial statements, which describes the basis of accounting. The Grant project financial statements are prepared to assist the management of the State Agency "Center for Education Projects" Project Implementation Unit" to meet the requirements of Competitive Innovation Fund based on the frames of the World Bank's Second Education Quality and Relevance Project. As a result, the Grant project financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### *Responsibilities of Management and Those Charged with Governance for the Grant Project Financial Statements*

Management of the ANAU is responsible for the preparation and fair presentation of the Grant project financial statements in accordance with the accounting policies described in note 2 to the Grant project financial statements, the relevant points of the Grant Agreement 3/15-CIF and the Operational Manual for Competitive Innovation Fund, and for such internal control as management determines is necessary to enable the preparation of Grant project financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Grant project financial reporting process.

### *Auditor's Responsibilities for the Audit of the Grant Project Financial Statements*

Our objectives are to obtain reasonable assurance about whether the Grant project 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 a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or 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 Grant project financial statements.

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

- Identify and assess the risks of material misstatement of the Grant project 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 ANAU's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ANAU's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Grant project financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the ANAU to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Grant project financial statements, including the disclosures, and whether the Grant project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Gagik Gyulbudaghyan

Managing Partner

15 June 2018



Emil Vassilyan, FCCA

Engagement Partner

# Statement of financial position

In Armenian drams

	Note	As of 28 February 2018
<b>Assets</b>		
<i>Non-current assets</i>		
Grant project accumulated expenses		114,994,705
<b>Total assets</b>		<b>114,994,705</b>
<b>Funds and liabilities</b>		
Grant project accumulated financing	4	113,967,501
Other funds		128
Exchange rate difference		1,027,076
		<b>114,994,705</b>
<b>Total funds and liabilities</b>		<b>114,994,705</b>



The Grant project financial statements were approved on 15 June 2018 by:

Arshatuyis Tarverdyan

Rector

Olga Bavina

Chief Accountant

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 11 to 13.

# Statement of project sources and uses of funds

As of 28 February 2018 and for the period from 24 December 2015 until 28 February 2018

In Armenian drams

	Actual		Planned		Variance	
	For the period	As of 28 February 2018	For the period	As of 28 February 2018	For the period	As of 28 February 2018
<i>Funds received</i>						
Grant (refer to note 4)	102,166,130	102,166,130				
Co-financing (refer to note 4)	11,801,371	11,801,371				
Other funds received	128	128				
<b>Total</b>	<b>113,967,629</b>	<b>113,967,629</b>				
Exchange rate difference	1,027,076	1,027,076				
<i>Uses of funds</i>						
Eligible expenses	114,994,705	114,994,705	113,716,267	113,716,267	1,278,438	1,278,438
<b>Total</b>	<b>114,994,705</b>	<b>114,994,705</b>	<b>113,716,267</b>	<b>113,716,267</b>	<b>1,278,438</b>	<b>1,278,438</b>
Net increase in working capital	-	-				

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 11 to 13.

# Statement of uses of funds by project main categories of expenditures

Period from 24 December 2015 until 28 February 2018

In Armenian drams

#	Type of expense	Estimated expenses			Actual expenses			Variance		
		Grant	Co-financing	Total	Grant	Co-financing	Total	Grant	Co-financing	Total
1	Laboratory equipment and supplies	85,820,470	9,555,100	95,375,570	86,440,886	10,212,122	96,653,008	(620,416)	(657,022)	(1,277,438)
2	Stationary	-	65,740	65,740	-	65,740	65,740	-	-	-
3	Software security and electronic resources	-	480,000	480,000	-	480,000	480,000	-	-	-
4	Printing, purchase of telecasting in the scope of broadcasting or publication area	255,170	109,830	365,000	255,170	104,830	360,000	-	5,000	5,000
5	Organization of seminars, workshops, trainings	165,000	115,000	280,000	165,000	115,000	280,000	-	-	-
6	Business trip for acquisition of experience	879,455	491,277	1,370,732	889,328	481,404	1,370,732	(9,873)	9,873	-
7	Grant project staff salary	15,214,545	-	15,214,545	15,183,128	32,417	15,215,545	31,417	(32,417)	(1,000)
8	Other expenses	10,000	554,680	564,680	10,000	559,680	569,680	-	(5,000)	(5,000)
Total		102,344,640	11,371,627	113,716,267	102,943,512	12,051,193	114,994,705	(598,872)	(679,566)	(1,278,438)

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 11 to 13.

# Grant operating account statement

*In Armenian drams*

Opening balance as of 24 December 2015		-
Add: Cumulative unexplained discrepancy		-
Grant replenishment during the year	102,166,130	
Interest received	112	
	<u>102,166,242</u>	<u>102,166,242</u>
Present outstanding amount advanced to the Grant operating account (1)		<u>102,166,242</u>
Closing balance as of 28 February 2018		-
Add: Amount of eligible expenditures paid during the period	102,166,242	
	<u>102,166,242</u>	<u>102,166,242</u>
Total advance accounted for (2)		<u>102,166,242</u>
Discrepancy (1) – (2) to be explained		-

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 11 to 13.

# Co-financing operating account statement

*In Armenian drams*

Opening balance as of 24 December 2015		-
Add: Cumulative unexplained discrepancy		-
Co-financing received during the year	13,288,627	
Interest received	16	
	<u>13,288,643</u>	<u>13,288,643</u>
Less: Refund of co-financing during the period		(1,487,256)
Present outstanding amount advanced to the co-financing operating account (1)		<u>11,801,387</u>
Closing balance as of 28 February 2018		-
Add: Amount of eligible expenditures paid during the period	11,801,387	
	<u>11,801,387</u>	<u>11,801,387</u>
Total advance accounted for (2)		<u>11,801,387</u>
Discrepancy (1) – (2) to be explained		-

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 11 to 13.

# Notes to the Grant project financial statements

## 1 Nature of operations and general information

"Armenian National Agrarian University" foundation (the "ANAU") was founded in 1930. The ANAU is the legal successor of the "Armenian State Agrarian University" SNCO. The founder of the ANAU is the Republic of Armenia represented by the Government of the Republic of Armenia.

The ANAU is a higher educational institute in the agrarian sphere, which promotes and develops the agrarian and related fields including natural science, biology, technology, economics, engineering and other fields as well as arranges basic and applied scientific researches and studies for secondary, vocational, higher professional and postgraduate professional education programs as well as provides different types of studying (including programs for foreigners and distance learning) in accordance with the law and other legal acts.

The main objective of the ANAU is to ensure education, research, expertise, educational and scientific consulting as well as publishing activity.

The governing bodies of the ANAU are:

- the Board of trustees;
- the director of the ANAU (Rector).

The Board of trustees is the top collegial governing body. The rector manages the current activity of the ANAU.

According to the Grant Agreement 3/15-CIF (Agreement) signed between the ANAU and the State Agency "Center for Education Projects" Project Implementation Unit" (the "PIU"), dated 24 December 2015 and according to Agreement 4 on the amendments and additions to this contract dated 22 June 2017, the ANAU implements the "Development of Scientific-Industrial Component of Oenological Education" Grant project ("Project"). The budget of the Grant project makes drams 113,716,267, drams 102,344,640 of which will be allocated from the Grant funds, and drams 11,371,627 from co-financing. The closing date of the Grant project is defined as 28 February 2018. The main goal of the Project is the improvement of the ANAU based on the creation of a modern logistics and the development of existing scientific and educational potential, which will enable to prepare competitive specialists for the field, as well as to implement scientific-research and innovative projects.

The specific goals of the Grant project are:

- Preparation of highly-skilled and competitive specialists for the oenological sphere in the result of this process, having a modern production base and an opportunity to acquire practical skills;
- Ensuring the necessary conditions for the research of the ANAU and its branch scientists, thereby creating opportunities for solving problems in the field and promoting innovation activities;
- Updating the existing educational projects and plans, as well as theoretical and practical teaching and learning materials based on the relevant educational preconditions and employers' requirements for education and providing high-quality education.

The ANAU is located at 74 Teryan street, Yerevan, 0009, Armenia.

During the reporting period the number of staff involved in the Grant project implementation was 4.

## 2 Basis of preparation

### 2.1 Statement of compliance

The Grant project financial statements were prepared in accordance with the accrual basis of accounting, the relevant points of the Grant Agreement 3/15-CIF and requirements of the Operational Manual for Competitive Innovation Fund. Significant accounting policies are disclosed below.

## 2.2 Functional and presentation currency

The national currency of Armenia is the Armenian dram ("dram"), which is the ANAU's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the ANAU. All financial information presented in Armenian drams has been rounded to the nearest unit.

## 2.3 Grant project financing

The financing received in the framework of the agreement is recorded in the statement of financial position as "Grant project accumulated project financing" and is recognized at each replenishment. The unused amounts available at the end of the Grant project, which are subject to be returned are being deducted from the amounts of "Accumulated Grant project financing" and recognized as payable. In addition, the current period funds received are disclosed in the statement of Grant project sources and uses of funds.

## 2.4 Grant project expenses

The Grant project expenses are recognized on the accrual basis of accounting. The accumulated Grant project expenses are disclosed in the statement of financial position under non-current assets. In addition, expenses are disclosed in the statement of Grant project sources and uses of funds and statement of uses of funds by Grant project main categories of expenditures. Furniture and equipment procured within the scope of the Grant project and recognized in expenses are the property of the ANAU. Items of fixed assets procured within the scope of the Grant project are not recognized as such and no depreciation is calculated in respect of them. Instead, their initial cost is disclosed in note 6.

## 2.5 Planned expenses

The Grant project planned expenses are the Grant project budget defined by the grant agreement, which includes the grant financing and co-financing.

## 3 Closing date of the Grant project

According to the grant agreement, the Grant project closing date was defined as 28 February 2018.

## 4 Grant project financing

In Armenian drams

	Period from 24 December 2015 until 28 February 2018
Grant funds	
PIU funds	102,166,130
	102,166,130
Co-financing	
ANAU's co-financing	13,288,627
Amount returned	(1,487,256)
	11,801,371
Total	113,967,501

## 5 Reconciliation between the amounts received by the Grant project from the PIU and disbursed by the ANAU

In Armenian drams

	ANAU	PIU	Variance
Stage 1	3,952,000	3,952,000	-
Stage 2	38,267,468	38,267,468	-
Stage 3	-	-	-
Stage 4	21,115,868	21,115,868	-
Stage 5	28,706,537	28,706,537	-
Stage 6	10,124,257	10,124,257	-
	<u>102,166,130</u>	<u>102,166,130</u>	<u>-</u>

## 6 Fixed assets

The items of fixed assets include furniture, computer and other equipment acquired in the scope of the Grant project. No depreciation is calculated in respect of them.

The acquired and expensed items are the property of the ANAU.

The initial cost of the fixed assets procured within the scope of the Grant project are presented below:

ANAU

Fixed assets

In Armenian drams

Laboratory equipment

Other

As of 28 February  
2018

	95,085,817
	900,000
	<u>95,985,817</u>