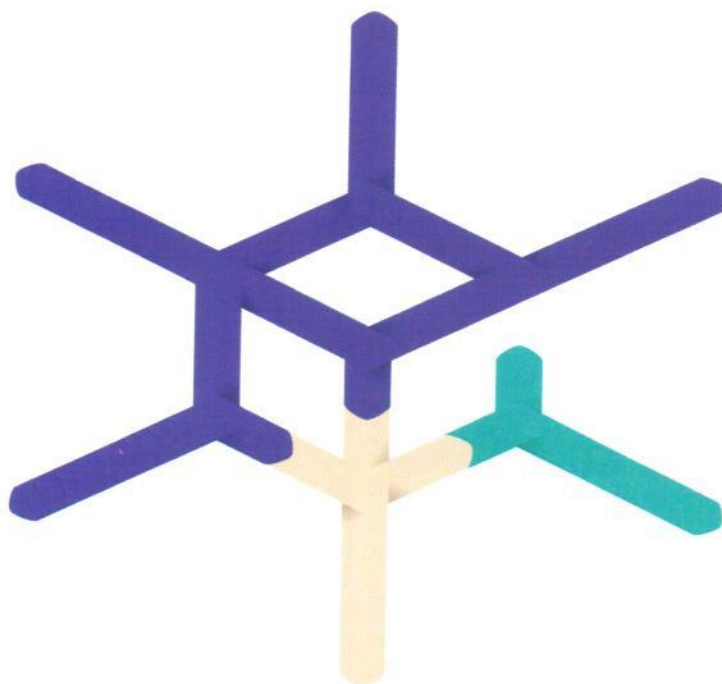


Grant Project Financial Statements and Independent Auditor's Report

“Armenian National Agrarian University” Foundation

**“Veterinary Educational-Scientific Excellence
Center” Project**

As of 10 April 2022 and for the period from 1 August 2019 until
10 April 2022



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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 "Veterinary Educational-Scientific Excellence Center" Grant project (the "Project") financed within the scope of Competitive Innovation Fund (the "CIF"), which comprise the statement of financial position as of 10 April 2022, 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 1 August 2019 until 10 April 2022, 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 "Veterinary Educational-Scientific Excellence Center" Grant project as of 10 April 2022, and of the funds received and expenses incurred for the period from 1 August 2019 until 10 April 2022, in accordance with the accounting policies described in note 2, the relevant points of the Grant Agreement 18/19-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 Education Improvement 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 "Armenian National Agrarian University" Foundation (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 18/19-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.
- 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.

Armen Hovhannisyan
Chief Executive Officer

Emil Vassilyan, FCCA
Engagement Partner

29 April 2022



Statement of financial position

In Armenian drams	Note	As of 10 April 2022
Assets		
<i>Non-current assets</i>		
Grant project accumulated expenses		148,875,964
Total assets		148,875,964
Funds and liabilities		
Grant project accumulated financing	4	148,604,331
Other funds		271,633
Total funds and liabilities		148,875,964

The Grant project financial statements were approved on 29 April 2022 by:

Vardan Urutyan
Rector



Mariam Poghosyan
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 10 to 13.

Statement of project sources and uses of funds

As of 10 April 2022 and for the period from 1 August 2019 until 10 April 2022

In Armenian drams

	Actual		Planned		Variance	
	For the period	As of 10 April 2022	For the period	As of 10 April 2022	For the period	As of 10 April 2022
<i>Funds received</i>						
Grant (refer to note 4)	133,743,935	133,743,935				
Co-financing (refer to note 4)	14,860,396	14,860,396				
Other funds received	271,633	271,633				
Total	148,875,964	148,875,964				
<i>Uses of funds</i>						
Eligible expenses	148,875,964	148,875,964	155,157,935	155,157,935	(6,281,971)	(6,281,971)
Total	148,875,964	148,875,964	155,157,935	155,157,935	(6,281,971)	(6,281,971)
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 10 to 13.

Statement of uses of funds by project main categories of expenditures

Period from 1 August 2019 until 10 April 2022

In Armenian drams

#	Type of expense	Estimated expenses			Actual expenses			Variance		
		Grant	Co-financing	Total	Grant	Co-financing	Total	Grant	Co-financing	Total
1	Furniture	1,439,100	159,900	1,599,000	745,038	82,782	827,820	694,062	77,118	771,180
2	Computer equipment	2,653,200	294,800	2,948,000	2,603,523	289,280	2,892,803	49,677	5,520	55,197
3	Laboratory equipment and supplies	118,763,325	13,195,925	131,959,250	115,060,923	12,784,550	127,845,473	3,702,402	411,375	4,113,777
4	Stationary	2,619,000	291,000	2,910,000	2,477,997	275,333	2,753,330	141,003	15,667	156,670
5	Consulting Services (local and international)	450,000	50,000	500,000	450,000	50,000	500,000	-	-	-
6	Organization of seminars, trainings and workshops	64,800	7,200	72,000	50,975	5,664	56,639	13,825	1,536	15,361
7	Business trip for acquisition of experience	2,366,266	262,919	2,629,185	1,541,926	171,325	1,713,251	824,340	91,594	915,934
8	Grant project staff salary	11,016,000	1,224,000	12,240,000	10,940,218	1,215,580	12,155,798	75,782	8,420	84,202
9	Other expenses	270,450	30,050	300,500	117,765	13,085	130,850	152,685	16,965	169,650
Total		139,642,141	15,515,794	155,157,935	133,988,365	14,887,599	148,875,964	5,653,776	628,195	6,281,971

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 10 to 13.

Grant operating account statement

In Armenian drams

Opening balance as of 1 August 2019		-
Add: Cumulative unexplained discrepancy		-
Grant replenishment during the period	133,743,935	
	<u>133,743,935</u>	<u>133,743,935</u>
Present outstanding amount advanced to the Grant operating account (1)		<u>-</u>
Closing balance as of 10 April 2022		-
Add: Amount of eligible expenditures paid during the period	133,743,935	
	<u>133,743,935</u>	<u>133,743,935</u>
Total advance accounted for (2)		<u>133,743,935</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 10 to 13.

Co-financing operating account statement

In Armenian drams

Opening balance as of 1 August 2019		-
Add: Cumulative unexplained discrepancy		-
Co-financing received during the period	15,515,794	
	<u>15,515,794</u>	<u>15,515,794</u>
Less: Refund of co-financing during the period		(655,398)
Present outstanding amount advanced to the co-financing operating account (1)		<u>14,860,396</u>
Closing balance as of 10 April 2022		-
Add: Amount of eligible expenditures paid during the period	14,860,396	
	<u>14,860,396</u>	<u>14,860,396</u>
Total advance accounted for (2)		<u>14,860,396</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 10 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 18/19-CIF (Agreement) signed between the ANAU and the State Agency "Center for Education Projects" Project Implementation Unit" (the "PIU"), dated 30 July 2019 and according to Agreement 7 on the amendments and additions to this contract dated 29 September 2021, the ANAU implements the "Veterinary Educational-Scientific Excellence Center" Grant project ("Project"). The budget of the Grant project makes drams 155,157,935, drams 139,642,141 of which will be allocated from the Grant funds, and drams 15,515,794 from co-financing. The closing date of the Grant project is defined as 10 April 2022.

The main goal of the Project is to establish a veterinary education-scientific excellence center, which will contribute to the implementation of capacity-building research-based education, education-research and establishment and strengthening of university-labor market relations. With the creation of the center of excellence, a new method of veterinary education will be introduced in the ANAU education system - simulation training and a new approach - bioethical education. The veterinary education- scientific excellence center will consist of three main departments:

1. Modern veterinary simulation department,
2. Modern veterinary clinic,
3. Training classrooms.

Veterinary medicine is one of the priorities of the development of agriculture in Armenia, and the provision of personnel with higher education necessary for that field is provided only by ANAU. By creating such a center of excellence, it will be possible to train competitive personnel, implement scientific projects, provide educational services to farmers and current veterinarians. It will help to develop students' practical skills and reduce the number of mistakes during professional activities.

The specific goals of the Project are:

- Establishment of a modern veterinary simulation department-laboratory, where students will be able to master their practical skills and abilities while maintaining bioethical norms during education.
- Establishment of a modern veterinary clinic where students can develop their professional skills and abilities, and it will also serve as a basis for students, postgraduates, researchers, and lecturers to conduct scientific research. The newly created veterinary clinic will provide appropriate services to the

population, which will become an additional financial source for the university, as well as ensure the stability of the Center of Excellence after the completion of the project.

- Creation of the necessary conditions in the veterinary education-scientific excellence center, where local and invited professors and specialists will regularly carry out trainings for specialists in the field of veterinary medicine, farmers, consulting services and professional quality improvement measures.

The expected results are:

- To contribute to the provision of bioethical norms of education at the university and its further promotion through the operation of a simulation center,
- To train specialists with skills and abilities in accordance with the requirements of the labor market through the operation of a modern veterinary clinic,
- To implement research work, as well as restore and expand the link between education and science through the operation of a center of excellence,
- To strengthen the relations between university and labor market by implementing joint scientific works, organizing trainings for specialists and taking other measures aimed at raising the qualification.

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 18/19-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 closing date of the Grant Agreement was defined as 10 April 2022.

4 Grant project financing

In Armenian drams	Period from 1 August 2019 until 10 April 2022
Grant funds	
PIU funds	133,743,935
	133,743,935
Co-financing	
ANAU's co-financing	15,515,794
Amount returned	(655,398)
	14,860,396
Total	148,604,331

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	7,696,040	7,696,040	-
Stage 2	26,043,404	26,043,404	-
Stage 3	47,803,652	47,803,652	-
Stage 6	8,494,475	8,494,475	-
Stage 7	43,706,364	43,706,364	-
	<u>133,743,935</u>	<u>133,743,935</u>	<u>-</u>

6 Fixed assets

The items of fixed assets include furniture, laboratory 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:

Fixed assets

In Armenian drams	As of 10 April 2022
Furniture	827,820
Computer equipment	2,887,698
Laboratory equipment and materials	94,815,650
	<u>98,531,168</u>