

ARMENIAN TERRITORIAL DEVELOPMENT FUND

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
for the year ended 31 December 2018**

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Fund address:	31 K. Ulnetsi Street, Yerevan, 0037, Republic of Armenia
Legal form:	Foundation
Principal activities	The principal activities of the Foundation is presented in the 1 st note
Executive director	Ashot Kirakosyan

INDEPENDENT AUDITOR'S REPORT

To the Management of the Armenian Territorial Development Fund

Opinion

We have audited the accompanying financial statements of "Armenian Territorial Development Fund" ("ATDF" or "Fund") which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ATDF as at 31 December 2018, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs).

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 ATDF 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.

Responsibilities of the Management for the Financial Statements

Management of the ATDF is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operation, or has no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

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

- 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.


Vahagn Sahakyan, FCCA
Managing Partner



FCCA

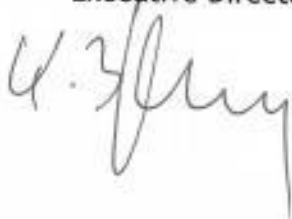
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Armenian Territorial Development Fund
Statement of financial position
As at 31 December 2018

	Note	As at 31.12.2018 USD	As at 31.12.2017 USD
ASSETS			
Non-current assets			
Property and equipment	3	126,972	148,702
Funds receivable	4	163,679,456	177,901,454
Total non-current assets		163,806,428	178,050,156
Current assets			
Prepayments	5	3,024,241	3,508,432
Cash and cash equivalents	6	29,049,161	24,984,468
Other		812,122	-
Total current assets		32,885,524	28,492,900
TOTAL ASSETS		196,691,952	206,543,056
LIABILITIES AND EQUITY			
Equity			
Founders' contribution	7	151,631	151,631
Accumulated deficit		(155,989)	(184,536)
Total equity		(4,358)	(32,905)
Non-current liabilities			
Government grants	8	195,168,498	205,985,312
Total non-current liabilities		195,168,498	205,985,312
Current liabilities			
Accounts payable	9	715,701	590,649
Other		812,111	-
Total current liabilities		1,527,812	590,649
TOTAL LIABILITIES AND EQUITY		196,691,952	206,543,056

The financial statements were approved by the management of the Armenian Social Investment Fund on 27 June 2019 and signed on its behalf. The accompanying notes form an integral part of these financial statements.

Ashot Kirakosyan
Executive Director




Levon Dulyan
Finance and Administrative Director



Armenian Territorial Development Fund
Statement of comprehensive income
As at 31 December 2018

	Note	2018 USD	2017 USD
Cost of the Projects	10	(19,231,713)	(12,627,114)
Income from Grants	8	19,231,713	12,627,114
Other income/(expense), net		93,551	3,046
Exchange gain/(loss), net		(38,706)	(14,340)
Results of the year before income tax		54,845	(11,294)
Income tax		(26,298)	(612)
Results of the year		28,547	(11,906)
Other comprehensive income		-	-
Comprehensive result for the year		28,547	(11,906)

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Ashot Kirakosyan
Executive Director

Levon Dulyan
Finance and Administrative Director

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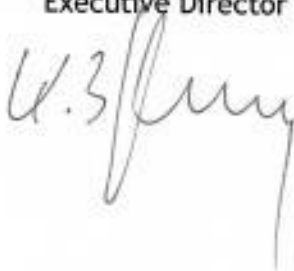
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Armenian Territorial Development Fund
Statement of changes in equity
For the year ended 31 December 2018

	Founders contribution USD	Accumulated deficit USD	Total USD
As at 1 January 2017	151,631	(172,630)	(20,999)
Results of the year	-	(11,906)	(11,906)
As at 31 December 2017	151,631	(184,536)	(32,905)
Results of the year	-	28,547	28,547
As at 31 December 2018	151,631	(155,989)	(4,358)

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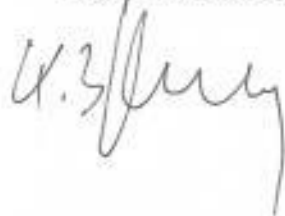



Armenian Territorial Development Fund
Statement of cash flows
For the year ended 31 December 2018

	2018 USD	2017 USD
Operating cash flows		
Funds received/(refunded)		
Urgent projects	7,656,104	-
SILD	6,770,401	7,742,652
LEID	2,311,786	144,255
SDC Grant	2,153,638	354,180
USAID Grant	1,624,103	2,387,119
SSIP	689,969	766,443
Jermuk project -2	1,441,622	-
Jermuk project -1	(115,829)	2,483,629
Other	127,482	-
	22,659,276	13,878,278
Project expenditures		
Urgent projects	(81,599)	-
SILD	(7,175,121)	(6,965,221)
LEID	(1,987,610)	(53,494)
SDC Grant	(2,310,280)	(107,916)
US USAID Grant	(1,565,636)	(2,347,416)
SSIP	(4,139,254)	(4,502,864)
Jermuk project -2	(97,081)	(6)
Jermuk project -1	(1,229,909)	(1,030,769)
Other	(40,848)	(16,045)
	(18,627,338)	(15,023,731)
Other operating cash flows (net)	-	35,637
Total Operating cash flows	4,031,938	(1,109,816)
Exchange gain/(loss) on cash	32,755	(15,903)
Net cash flows	4,064,693	(1,125,719)
Opening cash balance	24,984,468	26,110,187
Closing cash balance	29,049,161	24,984,468

The financial statements were approved by the management of the Armenian Social Investment Fund on 27 June 2019 and signed on its behalf. The accompanying notes form an integral part of these financial statements.

Ashot Kirakosyan
Executive Director




Levon Dulyan
Finance and Administrative Director



1. Background

1.1 *The foundation and its objectives*

The Armenian Territorial Development Fund (ATDF) is the legal successor of Armenian Social Investment Fund (ASIF) since 2015. The ATDF operates based on the new Charter since 4 August 2015, and continues ordinary activities of the ASIF.

The ASIF has been established by a Decree N 162 dated 11.04.2000 of the Government of the Republic of Armenia, the sole founder, as an autonomous non-profit agency to assist in the rehabilitation of small-scale infrastructure through community initiated and demand-based activities. It was registered in accordance with resolution N 988 of the Ministry of Justice of the Republic of Armenia dated on 13 September 2000.

The ATDF registered address is: 31 K. Ulnetsi Street, Yerevan, 0037, Republic of Armenia.

The ATDF implements projects related to:

- welfare development of population through improving quality and accessibility of social and economic infrastructure and public services, employment, investment activity,
- Institutional and financial strengthening of regions of the Republic of Armenia.:

The projects are financed by the Government of the Republic of Armenia through funds received from international donors, the largest creditor being International Development Association (IDA), International Bank of Reconstruction and Development (IBRD) and Asian Development Bank (ADB).

The Projects are co-financed by:

- Government of the Republic of Armenia,
- Local Communities,
- Other Sponsors.

1.2 *The implemented projects*

The major projects implemented by ATDF/ASIF since its incorporation are ASIF I, ASIF II, ASIF III, SILD, SSIP and LEID projects with objective to raise the living standards of the poor and vulnerable groups in the Republic of Armenia through:

- a) improving the quality and access, and increasing the coverage of community infrastructure and services in poor communities, and for the most vulnerable groups in response to critical emerging needs; and
- b) promoting complementary institutional capacity building at the community and municipal level so as to improve the quality and sustainability of service delivery and municipal investments, increase accountability, and enhance greater stakeholder empowerment at local level.

In year ended 31.12.2018, the ATDF implemented the following projects:

- "SILD" - "Social Investment and Local Development Project", financed by the Loan Agreement IBRD Loan Number 8483-AM dated 8 April 2015 between the Republic of Armenia and the IBRD, in the amount of 30,000,000 USD. The objective of the project is to improve quality and use of and access to community and inter-community infrastructure.

**Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018**

The Closing date for the Loan Number 8483-AM financing is set on 30 June 2020.

- “SSIP” - “Seismic Safety Improvement Program”, financed by Loan Agreement ADB Loan 3284-ARM dated 19 October 2015 between the ADB and the Republic of Armenia, in the amount of 83,600,000 USD. The objective of the project is to build earthquake-resilient schools and improve ability of responding to natural disasters.

The closing date of the SSIP project is set on 31 May 2024.

- “USAID Grant” - “Territorial Management Reform” project, financed by Implementation Letter dated 10 August 2015 between USA International Development Agency (USAID) and ATDF, in the amount of 8,600,000 USD. The objective of the project is funding inter-community projects in 14 pilot combined communities.

The closing date of the project is set on 10 August 2020.

- “LEID” - “Local Economy and Infrastructure Development Project”, financed by the Loan Agreement IBRD Loan Number 8572-AM dated 23 February 2016 between the Republic of Armenia and the IBRD, in the amount of 55,000,000 USD. The Project objective is to improve infrastructure services and institutional capacity for increased tourism contribution to local economy in selected regions of Armenia (i.e. Kotayk, Vayots Dzor, Syunik, Lori, Armavir, Ararat). In particular, the proposed Project will support business environment and investment climate for Small and Medium-sized Enterprises (SME) creation, growth, and innovations.

The Project became effective on 29 December 2016. The Project related activities commenced from 21 April 2017. The Closing date for the Loan Number 8572-AM financing is set on 30 April 2021.

- “SDC Grant” - “Social Investment and Local Development SDC” project dated 23 September 2016, financed by the Swiss Agency for Development and Cooperation (SDC), and countersigned on 13 October 2016 between the Republic of Armenia and IBRD in the amount of 2,428,300 USD. The objective of the project is to improve capacities of municipalities in Southern Armenia to provide sustainable public infrastructure and services to their citizens.

The Project became effective on 2 February 2017. The Project related activities commenced from 15 March 2017. The closing date of the project is set on 31 March 2019.

- The project of resolving of the priority issues in Jermuk community of Vayots Dzor region, financed by the State budget of the Republic of Armenia, in the amount of 1,190,693.5 thousand AMD.
- The project of pole design of regional development in Jermuk community of Vayots Dzor region, financed by the State budget of the Republic of Armenia, in the amount of 697,939.9 thousand AMD.
- The project of resolving priority issues in the regions of Armenia, financed by the State budget of the Republic of Armenia, in the amount 3,657,994.3 thousand AMD.

2. Summary of significant accounting policies

2.1 Bases of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) within the International Federation of Accountants (IFAC).

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

a) New standards, interpretations and amendments effective from 1 January 2018

- IFRS 9 Financial Instruments
- IFRS 15 - Revenue from Contracts with Customers
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

None of the amendments to Standards that are effective from that date had a significant effect on the Company's financial statements.

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

b) New standards, interpretations and amendments not yet effective

#	Pronouncement	Nature of the impending change in accounting policy on adoption of the pronouncement	Date by which application of the IFRS is required	Date Organization plans to apply the pronouncement initially	Impact of initial application on financial statement
1	IFRS 16, Leases (2017)	Under IFRS 16 a lessee recognizes a right-of-use assets and a lease liability. The right-of-use assets is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of lease payments payable over the lease term.	1 January 2019 Early adoption permitted	1 January 2019	No impact envisaged
2	IFRIC 23 Uncertainty Over Income Tax	The interpretation addresses how to determine the taxable profit(loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over treatment under IAS 12, Income Tax.	1 January 2019 Early adoption permitted	1 January 2019	No impact envisaged

2.2 Basis of measurement

These financial statements are prepared on the historical cost basis.

2.3 Functional and presentation currency

The ATDF's functional currency is the national currency of the Republic of Armenia, Dram (AMD). The presentation currency of these financial statements is United States Dollar (USD).

2.4. Significant accounting estimates and judgments

The Fund makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual experience may differ from those estimates and assumptions. In the reporting year, there are no estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Measurement of fair values

A number of assets and liabilities included in the Fund's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Fund's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.

2.5. Financial instruments - Risk Management

During its natural activity, the Fund is exposed to various financial risks such as.

- credit risk
- liquidity risk

In common with all other businesses, the Fund is exposed to risks that arise from its use of financial instruments. This note describes the Fund's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Fund's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) Principal financial instruments

The principal financial instruments used by the Fund, from which financial instrument risk

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

arises, are as follows:

- Cash and cash equivalents
- Trade and other payables

(b) Financial instruments by category

<i>Financial assets</i>	Measured at amortized cost (loans and receivables -2017)	
	31.12.2018 USD	31.12.2017 USD
Funds receivable	163,679,456	177,901,454
Cash and cash equivalents	29,049,161	24,984,468
	<u>192,728,617</u>	<u>202,885,922</u>

<i>Financial liabilities</i>	Financial liabilities at amortized cost	
	2018 USD	2017 USD
Trade and other payables	715,703	590,649
	<u>715,703</u>	<u>590,649</u>

(c) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other payables approximates their fair value.

For details of the fair value hierarchy, valuation techniques, and significant unobservable inputs related to determining the fair value, which are classified in level 3 of the fair value hierarchy, refer to appendix A.

General objectives, policies and processes

The overall management of the Fund's activities is carried out by the Board of Trustees.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without disruption of the Fund's activities. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Fund is mainly exposed to credit risk, which arises from cash and cash equivalents held by banks.

Liquidity risk

Liquidity risk arises from the Fund's finance charges and principal repayments on its debt instruments. It is the risk that the Fund will encounter difficulty in meeting its financial obligations as they fall due.

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

The Fund's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements.

The following table sets out the Fund's contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 1 month USD	Between 1 and 3 months USD	Between 3 and 12 months USD	Between 1 and 5 years USD	Over 5 years USD
At 31 December 2018					
Trade and other payables	4,651	163,516	308,908	238,626	-
	4,651	163,516	308,908	238,626	-

2.6. Foreign currency transactions

Foreign currency is a currency other than the functional currency of the ATDF.

Transactions in foreign currencies are translated to functional currency at exchange rates at the dates of the transactions. Settlement rate of foreign currency over functional currency established by the Central Bank of the Republic of Armenia is taken as the exchange rate.

The ATDF's accounts are maintained and transactions are mainly made in USD and Armenian Drams (AMD). Transactions denominated in local currency are translated into USD as follows:

- Contributions of the Republic of Armenia expressed in AMD are presented in USD at the official exchange rate defined by the Central Bank of Armenia at the date of transfer.
- Payments to contractors and suppliers expressed in AMD are presented in USD at the exchange rates defined by the CBA at the date of payment.

The exchange rate defined by the CBA as at 31 December 2017 is: USD 1= 483.17 AMD,
The exchange rate defined by the CBA as at 31 December 2018 is USD 1= 483.76 AMD.

2.7. Government grants

Grants from the government in return for past or future compliance with certain conditions relating to operating activities of ATDF are recognized at their fair value where there is reasonable assurance that:

- a) the ATDF will comply with the conditions attached to them; and
- b) the grants will be received;

Government grants relating to the purchase of property, plant and equipment are deferred and are recognized in the income statement on a straight line basis over the expected lives of the related assets. Grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalized and the replaced part is retired.

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

Depreciation is calculated on a straight-line basis in accordance with the following annual depreciation rates:

Machinery and equipment	20%
Transportation means	20%
Operational fixtures	20%

2.9. Cash

Cash comprises of cash balances and bank accounts balances.

2.10. Prepayments

Prepayments are carried at cost less provision for impairment. If there is an indication that the assets, goods or services relating to an advance will not be received, the carrying value of the advance is written down accordingly and a corresponding impairment loss is recognised in the income statement.

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. Property and equipment

Property and equipment represent fixed assets acquired in the scope of the implemented projects for use at ATDF.

								USD
Projects	ASIF III	SILD	USAID Grant	SDC Grant-1	SDC-Grant	SSIP	LEID	Total
Cost								
As of January 1, 2017	332,202	116,618	24,119	17,909	-	44,117	-	534,965
Acquisitions	-	5,777	4,112	-	-	-	711	10,600
As of December 31, 2017	332,202	122,395	28,231	17,909	-	44,117	711	545,565
Acquisitions	-	2,400	848	-	5,488	287	-	9,023
As of December 31, 2018	332,202	124,795	29,079	17,909	5,488	44,404	711	554,588
Accumulated depreciation								
As of January 1, 2017	323,574	16,744	4,791	6,864	-	6,187	-	358,160
Annual charges	8,628	16,044	4,080	3,546	-	6,317	88	38,703
As of December 31, 2017	332,202	32,788	8,871	10,410	-	12,504	88	396,863
Annual charges	-	16,568	4,183	3,544	-	6,369	89	30,753
As of December 31, 2018	332,202	49,356	13,054	13,954	-	18,873	177	427,616
Carrying Value								
As of December 31, 2017	-	89,607	19,360	7,499		31,613	623	148,702
As of December 31, 2018	-	75,439	16,025	3,955	5,488	25,531	534	126,972

As at 31.12.2018 the property and equipment with cost of 332,202 USD are fully depreciated (31.12.2017: 332,202 USD).

4. Funds receivable

It represents funds receivable for implementation of the projects by the ATDF:

Project	Note	As at 31.12.2018 USD	As at 31.12.2017 USD
LEID	4.1	66,122,085	68,433,870
SDC Grant	4.2	-	2,164,470
SILD	4.3	17,485,226	24,255,627
SSIP	4.4	74,292,770	76,357,222
USAID	4.5	5,066,161	6,690,265
Urgent Projects	4.6	713,214	-
		163,679,456	177,901,454

**Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018**

4.1 LEID

	IBRD 8572-AM USD	RA Govern- ment co- financing USD	Total USD
Receivable as at 31.12.2017	54,729,104	13,704,766	68,433,870
Granted	-	-	-
Received	(1,913,887)	(397,898)	(2,311,785)
Receivable as at 31.12.2018	52,815,217	13,306,868	66,122,085

4.2 SDC Grant

	SDC Grant USD	Community Contribution USD	Total USD
Receivable as at 31.12.2017	2,113,385	51,085	2,164,470
Granted	-	28,433	28,433
Received	(2,113,385)	(79,518)	(2,192,903)
Receivable as at 31.12.2018	-	-	-

4.3 SILD

	IBRD 8483-AM USD	RA Govern- ment co- financing USD	Community Contribution USD	Donors USD	Total USD
Receivable as at 31.12.2017	17,207,885	6,555,460	491,566	716	24,255,627
Granted	-	-	-	-	-
Received	(4,828,642)	(1,826,627)	(115,132)	-	(6,770,401)
Receivable as at 31.12.2018	12,379,243	4,728,833	376,434	716	17,485,226

4.4 SSIP

	ADB Loan 3284-ARM USD	RA Govern- ment co- financing USD	Total USD
Receivable as at 31.12.2017	58,711,539	17,645,683	76,357,222
Granted	-	-	-
Revaluation	(1,374,483)	-	(1,374,483)
Received	-	(689,969)	(689,969)
Receivable as at 31.12.2018	57,337,056	16,955,714	74,292,770

**Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018**

4.5 USAID Grant

	USAID Grant USD	Community Contribution USD	Total USD
Receivable as at 31.12.2017	5,971,000	719,264	6,690,264
Granted	-	-	-
Received	(1,576,589)	(47,514)	(1,624,103)
Receivable as at 31.12.2018	4,394,411	671,750	5,066,161

4.6 Urgent Projects

	Government Grant USD	Community Contribution USD	Total USD
Receivable as at 31.12.2017	-	-	-
Granted	7,526,892	842,400	8,369,292
Received	(7,526,892)	(129,186)	(7,656,078)
Receivable as at 31.12.2018	-	713,214	713,214

5. Prepayments

Project	As at 31.12.2018 USD	As at 31.12.2017 USD
SSIP	1,582,782	2,553,996
LEID	966,246	-
Jermuk Project-1	191,975	311,478
SILD (a)	167,621	642,958
Jermuk Project-2	82,592	-
Urgent Projects	33,025	-
	<u>3,024,241</u>	<u>3,508,432</u>

The Prepayments are mainly result from prepayments to contractors up to 20% on construction contracts secured with relevant bank guarantees.

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

6. Cash and cash equivalents

	Currency	31.12.2018 USD	31.12.2017 USD
ATDF accounts			
Current accounts (a)	AMD	189,076	109,327
Community contribution account		12,171	7,804
Sponsors contribution account		847	847
		<u>202,094</u>	<u>117,978</u>
SDC Grant			
SDC Grant	USD	64,355	207,001
Community contribution account	AMD	24,622	39,061
		<u>88,977</u>	<u>246,062</u>
SILD			
Designated account (IBRD 8283-AM)	USD	784,845	928,023
Community contribution account	AMD	333,642	594,271
Sponsors contribution account	AMD	18	1,832
		<u>1,118,505</u>	<u>1,524,126</u>
SSIP			
Deposit account (ADB 3284-ARM)	USD	18,055,516	21,504,883
		<u>18,055,516</u>	<u>21,504,883</u>
USAID Grant			
Grant account	USD	13,530	323
Community contribution account	AMD	107,859	63,004
		<u>121,389</u>	<u>63,327</u>
LEID			
Grant account	USD	414,394	90,595
		<u>414,394</u>	<u>90,595</u>
Jermuk project -1			
Grant account	AMD	93,304	1,437,497
		<u>93,304</u>	<u>1,437,497</u>
Jermuk project -2(b)			
Grant account	AMD	1,345,155	-
		<u>1,345,155</u>	<u>-</u>
Urgent Projects(b)			
Grant account	AMD	7,480,641	-
Community contribution account	AMD	129,186	-
		<u>7,609,827</u>	<u>-</u>
		<u>29,049,161</u>	<u>24,984,468</u>

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(a) Current account of ASIF III mostly consists of Community Contribution funds balances (113,597 USD) to cover ASIF III Civil works' retentions (Note 9) and accrued interest (88,497 USD):

(b) 812,112 USD in Urgent Project refers to Jermuk Project - 2

7. Founders' contribution

The Government of the Republic of Armenia is the sole founder of ATDF. The Founder contributed Property and Equipment with the valued amount of USD 151,631. Those assets were fully depreciated as at 31 December 2006.

Armenian Territorial Development Fund
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8. Government grants

Basically presented grants received for the implementation of ATDF Projects:

	For the year ended 31 December 2018										Total USD
	SDC Grant USD	SDC Grant-1 USD	SILD USD	SSIP USD	LEID USD	USAID Grant USD	Jermuk project - 1 Grant USD	Jermuk project - 2 Grant USD	Urgent Projects Grant USD	Other USD	
Opening balance	2,410,734	4,570	26,189,826	100,355,703	68,525,253	6,758,963	1,726,591	-	-	13,672	205,985,312
Grants received	-	-	-	-	-	-	-	1,441,621	8,369,318	105,103	9,916,042
Other increase/(decr ease)	(10,832)	-	-	1	1	-	(115,829)	-	-	-	(126,659)
Revaluation	-	-	-	(1,374,483)	-	-	-	-	-	-	(1,374,483)
Income corresponding to compensated costs	(2,309,061)	-3,544	(7,478,662)	(5,365,695)	(1,067,927)	(1,559,016)	(1,340,817)	(15,252)	(50,891)	(40,849)	(19,231,714)
Closing balance	90,841	1,026	18,711,164	93,615,526	67,457,327	5,199,947	269,945	1,426,369	8,318,427	77,926	195,168,498

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	For the year ended 31 December 2017								Total USD
	SDC Grant USD	SDC Grant- 1 USD	SILD USD	SSIP USD	LEID USD	USAID Grant USD	Jermuk project Grant USD	Other USD	
Opening balance	-	8,122	33,343,517	99,110,196	68,715,625	9,120,527	-	22,306	210,320,293
Grants received	2,518,650	-	-	-	-	-	2,483,629	-	5,002,279
Other increase/(decrease)	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	3,289,854	-	-	-	-	3,289,854
Income corresponding to compensated costs	(107,916)	(3,552)	(7,153,691)	(2,044,347)	(190,372)	(2,361,564)	(757,038)	(8,634)	(12,627,114)
Closing balance	2,410,734	4,570	26,189,826	100,355,703	68,525,253	6,758,963	1,726,591	13,672	205,985,312

Armenian Territorial Development Fund
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9. Accounts payable

		As at 31.12.2018 USD	As at 31.12.2017 USD
SILD			
	Works (a)	138,839	322,610
	Other payables	89	2,275
		<u>138,928</u>	<u>324,885</u>
SSIP			
	Works (a)	338,293	89,110
	Other payables	15	18
		<u>338,308</u>	<u>89,128</u>
USAID			
	Works (a)	1,155	11,111
		<u>1,155</u>	<u>11,111</u>
LEID			
	Works (a)	46,472	-
	Other payables	-	1
		<u>46,472</u>	<u>1</u>
SDC Grant			
	Works (a)	4,559	-
		<u>4,559</u>	<u>-</u>
Jermuk Project -1			
	Works (a)	29,123	37,746
		<u>29,123</u>	<u>37,746</u>
Jermuk Project -2			
	Works (a)	763	-
		<u>763</u>	<u>-</u>
Urgent Projects			
	Works (a)	2,317	-
	Other payables	-	-
		<u>2,317</u>	<u>-</u>
Other			
	Works (a)	14,904	14,904
	Payables on interest accrued	112,874	112,874
	Income tax	26,298	-
		<u>154,076</u>	<u>127,778</u>
		<u>715,701</u>	<u>590,649</u>

(a) Retentions of 5% on ASIF III project and 2.5% on other projects are held from the completed service invoice for up to one year as a guaranty for the quality of the work.

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10. Cost of the Projects

	Year ended 31 Dec 2018										
	SDC Grant USD	SDC Grant -1 USD	SILD USD	SSIP USD	USAID Grant USD	LEID USD	Jermuk project-1 USD	Jermuk project-2 USD	Urgent Projects USD	Other USD	Total USD
Works	416,808	-	6,159,044	4,983,648	58,062	929,493	1,323,738	15,252	50,891	-	13,936,936
Goods	1,800,038	-	498,342	-	1,448,827	-	-	-	-	-	3,747,207
Consultants' services and	23,785	-	237,677	212,699	46,178	88,856	17,079	-	-	27,436	653,710
Operating costs	68,430	-	567,031	162,979	1,766	49,489	-	-	-	13,412	863,107
Depreciation of PPE	-	3,544	16,568	6,369	4,183	89	-	-	-	-	30,753
Front-end fee	-	-	-	-	-	-	-	-	-	-	-
Total	2,309,061	3,544	7,478,662	5,365,695	1,559,016	1,067,927	1,340,817	15,252	50,891	40,848	19,231,713

	Year ended 31 Dec 2017								
	SDC Grant USD	SDC Grant-1 USD	SILD USD	SSIP USD	USAID Grant USD	LEID USD	Jermuk project- 1 USD	Other USD	Total USD
Works	-	-	5,838,718	1,782,208	244,486	-	754,937	-	8,620,349
Goods	89,109	-	244,184	-	2,000,077	(710)	-	-	2,332,660
Consultants' services and Training	7,931	-	371,282	70,860	110,309	-	2,101	-	562,483
Operating costs	10,876	-	683,464	184,962	2,612	53,494	-	6	935,414
Depreciation of PPE	-	3,552	16,043	6,317	4,080	88	-	8,628	38,708
Front-end fee	-	-	-	-	-	137,500	-	-	137,500
Total	107,916	3,552	7,153,691	2,044,347	2,361,564	190,372	757,038	8,634	12,627,114

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11. Cash Flows

	For the year ended 31 Dec 2018									
	SDC Grant	SILD	SSIP	USAID Grant	LEID	Jermuk project -1	Jermuk project -2	Urgent Projects	Other	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Funds received/ (returned)	2,153,638	6,770,401	689,969	1,624,103	2,311,786	(115,829)	1,441,622	7,656,104	127,482	22,659,276
Loan/Credit/Grant	2,113,385	4,828,642	-	1,576,589	1,913,887	-	-	-	-	10,432,503
RA Government	-	1,826,627	689,969	47,514	397,899	(115,829)	1,441,622	7,526,892	-	11,814,694
Community Contributions	40,253	115,132	-	-	-	-	-	129,212	-	284,597
Other Sponsors	-	-	-	-	-	-	-	-	127,482	127,482
Expenditures on Projects	(2,310,280)	(7,175,121)	(4,139,254)	(1,565,636)	(1,987,610)	(1,229,909)	(97,081)	(81,599)	(40,848)	(18,627,338)
Works	(412,528)	(5,869,666)	(3,763,286)	(68,018)	(1,849,265)	(1,212,830)	(97,081)	(81,599)	-	(13,354,273)
Goods	(1,800,041)	(500,742)	(287)	(1,448,827)	-	-	-	-	-	(3,749,897)
Consultant Services and Training	(11,200)	(237,682)	(212,702)	(3,964)	(88,856)	(17,079)	-	-	(27,436)	(598,919)
Operating Costs	(86,511)	(567,031)	(162,979)	(44,827)	(49,489)	-	-	-	(13,412)	(924,249)
Front-end fee	-	-	-	-	-	-	-	-	-	-
Other operating cash flows (net)	-	-	-	-	-	2,622	-	-	(2,622)	-
Foreign currency gain/(loss)	(443)	(901)	(82)	(405)	(377)	(1,077)	614	35,322	104	32,755
Net cash result	(157,085)	(405,621)	(3,449,367)	58,062	323,799	(1,344,193)	1,345,155	7,609,827	84,116	4,064,693
Opening cash balance	246,062	1,524,126	21,504,883	63,327	90,595	1,437,497	-	-	117,978	24,984,468
Closing cash balance	88,977	1,118,505	18,055,516	121,389	414,394	93,304	1,345,155	7,609,827	202,094	29,049,161

Armenian Territorial Development Fund
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	For the year ended 31 Dec 2017							
	SDC Grant	SDC Grant-1	SILD	SSIP	USAID Grant	LEID	Jermuk project	Other
	USD	USD	USD	USD	USD	USD	USD	USD
Funds received/ (returned)	354,180	-	7,742,652	766,443	2,387,119	144,255	2,483,629	-
Loan/Credit/Grant	314,915	-	5,518,643	-	2,324,404	133,397	-	-
RA Government	-	-	1,792,986	766,443	-	10,858	2,483,629	-
Community Contributions	39,265	-	431,023	-	62,715	-	-	-
Other Sponsors	-	-	-	-	-	-	-	-
Expenditures on Projects	(107,916)	(6)	(6,965,221)	(4,502,864)	(2,347,416)	(53,494)	(1,030,769)	(16,045)
Works	-	-	(5,660,494)	(4,247,042)	(233,375)	-	(1,028,668)	(16,039)
Goods	(89,109)	-	(249,951)	-	(2,001,123)	-	-	-
Consultant Services and Training	(7,931)	-	(371,312)	(70,860)	(110,305)	-	(2,101)	-
Operating Costs	(10,876)	(6)	(683,464)	(184,962)	(2,613)	(53,494)	-	(6)
Front-end fee	-	-	-	-	-	-	-	-
Other operating cash flows (net)	-	(162)	-	-	-	-	-	35,799
Foreign currency gain/(loss)	(202)	-	(19)	(49)	(191)	(166)	(15,363)	87
Net cash result	246,062	(168)	777,412	(3,736,470)	39,512	90,595	1,437,497	19,841
Opening cash balance	-	168	746,714	25,241,353	23,815	-	-	98,137
Closing cash balance	246,062	-	1,524,126	21,504,883	63,327	90,595	1,437,497	117,978
								24,984,468

12. Taxes

Applicable taxes are paid in accordance with tax regulations of the Republic of Armenia. Income tax rate in the Republic of Armenia is 20%.

13. Litigations

There are two claims against the ATDF as of reporting date and date of signing these financial statements, within the framework of renovation project of Jermuk:

- Request for contractual obligations
- To dissolve the contract with the contractor organization and compensate for the damage.

14. IFRS 13 Fair Value measurement disclosures

The following table sets out the assets and liabilities for which fair values are disclosed in the notes:

Item	Fair Value USD	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Trade and other payables	715,701	<i>Current</i> The carrying amount of short term (less than 12 months) payables approximates its fair values.	Level 3	N/A