

Audited Project Financial Statements

Project Number: 51182-001

Loan/Grant Number: L3789, L8357, G0645

Period covered: 18 September 2019 to 31 December 2020

Cambodia: National Solar Park Project

Prepared by Electricité du Cambodge

For the Asian Development Bank

Date received by ADB: 30 June 2021

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ELECTRICITÉ DU CAMBODGE

National Solar Park Project

ADB Loan No. 3789 – CAM (COL),
ADB Loan No. 8357 – CAM (SCF) and
ADB Grant No. 0645 – CAM (EF)

**Financial Statements
and Statement of Compliance
for the period from 18 September 2019
to 31 December 2020**

ELECTRICITÉ DU CAMBODGE

National Solar Park Project

ADB Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF)

Contents

	Page
PART I FINANCIAL STATEMENTS	
Statement by the management	1
Report of the Independent Auditors	2 – 4
Statement of receipts and payments	5
Notes to the financial statements	6 – 15
Appendix I: Statement of budget versus actual payments	i
PART II INDEPENDENT ASSURANCE REPORT ON COMPLIANCE	
Management assertion	16
Independent reasonable assurance report	17 – 19
Statement of compliance with the financing agreements	20 – 26

PART I

**Financial Statements
for the period from 18 September 2019
to 31 December 2020
and
Report of the Independent Auditors**



KINGDOM OF CAMBODIA
NATION RELIGION KING

ELECTRICITÉ DU CAMBODGE

Ref: 4338 EDC-FAD

Statement by the management

I, the undersigned, do hereby state that in my opinion, the accompanying financial statements, which comprises the statement of receipts and payments for the period from 18 September 2019 to 31 December 2020 and notes as set out on pages 5 to 15 of the National Solar Park Project ("the Project"), under the Asian Development Bank Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF) and implemented by the Electricité Du Cambodge ("EDC", "the Executing Agency" or "EA"), present fairly, in all material respects, in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards ("CPSAS").

On behalf of the Project's management:



Keo Rottanak

Minister attached to the Prime Minister
Managing Director of Electricité Du Cambodge

Sin Sovanny

Director of Finance and Accounting
Department

Phnom Penh, Kingdom of Cambodia

Date: 23, June, 2021



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Report of the Independent Auditors To the Ministry of Economy and Finance Royal Government of Cambodia

Opinion

We have audited the accompanying financial statements of the National Solar Park Project (“the Project”), under the Asian Development Bank Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF), and implemented by Electricité Du Cambodge (“EDC”, “the Executing Agency” or “EA”), which comprises the statement of receipts and payments and statement of advance accounts for the period from 18 September 2019 to 31 December 2020 and notes, comprising significant accounting policies and other explanatory information as set out on pages 5 to 15 (hereafter referred to as “the financial statements”).

In our opinion, the accompanying financial statements of the Project for the period from 18 September 2019 to 31 December 2020 is present fairly, in all material respects, in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards (“CPSAS”).

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (CISAs). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Appendix I on page i, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Emphasis of Matter - Restriction on Use

We draw attention to Note 2 to the financial statements, which describes the financial statements are prepared for the information of and use by the management of the Project, the Ministry of Economy and Finance ("MEF") and the Asian Development Bank ("ADB"). As a result, the financial statements may not be suitable for another purpose. Our audit report is intended solely for the management of the Project, MEF and ADB and should not be used by other parties other than the management of the Project, MEF and ADB. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with CPSAS, 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 EA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease the operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditors' 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 auditors' 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 CISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Project'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 EA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the EA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

For KPMG Cambodia Ltd



Guek Teav
Partner

Phnom Penh, Kingdom of Cambodia

23 June 2021

ELECTRICITÉ DU CAMBODGE

National Solar Park Project

ADB Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF)

Statement of receipts and payments for the period from 18 September 2019 to 31 December 2020

		Period from 18 September 2019 to 31 December 2020			
	Note	ADB Loan No. 3789 US\$	ADB Loan No. 8357 US\$	ADB Grant No. 0645 US\$	Total US\$
Receipts					
Direct payment - ADB	4	366,425	700,934	194,239	1,261,598
Payments by category and financier					
Works	5	204,242	700,778	194,239	1,099,259
Consulting services	6	161,596	-	-	161,596
Interest/service charge	3(c)	587	156	-	743
		366,425	700,934	194,239	1,261,598
Cash balance		-	-	-	-



Sin Sovanny
Director of Finance and Accounting
Department

Phnom Penh, Kingdom of Cambodia

Date: 23, June, 2021

The accompanying notes form an integral part of these financial statements.

ELECTRICITÉ DU CAMBODGE

National Solar Park Project

ADB Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF)

Notes to the financial statements for the period from 18 September 2019 to 31 December 2020

These notes form an integral part of, and should be read in conjunction with, the accompanying financial statements.

1. Background and activities

The National Solar Park Project (“the Project”) was established under the ADB Loan Agreement No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF), signed on 28 June 2019 between the Asian Development Bank (“ADB”) and the Royal Government of Cambodia (“RGC”) (represented by the Ministry of Economy and Finance).

The financing agreements became effective for implementation on 18 September 2019 and the Project is expected to be completed by 30 June 2022.

ADB approved the concessional loans and grant on 28 June 2019 including US\$7.64 million from ordinary capital resources, US\$11 million from ADB Strategic Climate Fund and US\$3 million grant from ADB SCF. The government will provide counterpart financing of US\$ 2.94 million to finance taxes and duties through exemptions and EDC will provide financing of US\$ 2.13 million for land acquisition and resettlement costs.

Under the terms of Loan Agreement, the MEF shall onlent to EDC out of the proceeds of the Loan under a Subsidiary Loan Agreement (“SLA”). The SLA between the MEF and EDC was signed on 13 December 2019.

The Loan No. 3789 – CAM (COL), under the SLA, is repayable semi-annually over 32 years including grace period 8 years from 15 June 2027 to 15 December 2050, with an interest rate of 1.65% per annum and after grace period 2.15% per annum on the amount of Loan withdrawn and outstanding. The Loan No. 8357 – CAM (COL), under the SLA, is repayable semi-annually over 40 years including grace period 10 years from 15 June 2029 to 15 December 2058, with an interest rate of 1.15% per annum on the amount of Loan withdrawn and outstanding. In addition, an interest shall be 150% of the original subsidiary loan interest rate per annum on delayed repayment of principle or repayment of interest.

The Project will support the expanded deployment of solar photovoltaic power plants in Cambodia and address the country's need to:

- (i) expand low-cost power generation;
- (ii) diversify the power generation mix with an increase in the percentage of clean energy, in line with its stated greenhouse gas emissions reductions targets; and
- (iii) expand the use of competitive tenders and other global best practices in the energy sector.

ELECTRICITÉ DU CAMBODGE

National Solar Park Project

ADB Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF)

Notes to the financial statements (continued) for the period from 18 September 2019 to 31 December 2020

1. Background and activities (continued)

The Electricité du Cambodge (“EDC”) is the Project’s Executing Agency (“EA”) and is responsible for the overall technical supervision and execution of the Project.

The Project comprises the following outputs:

Output 1: Construction of solar park and transmission interconnection

The Project will support EDC in constructing a 100 megawatt solar power park in Kompong Chhnang Province and a transmission interconnection system to grid substation 6 (GS6) near Phnom Penh demand center to supply power to the national grid. The park will consist of 100 hectares (ha) of land, and associated construction works (i.e., fencing, roads, drainage systems), to accommodate 60 MW of solar photovoltaic plant capacity. The transmission interconnection infrastructure comprises:

- (i) the 100 MW capacity (and pooling room or substation two 50-megavolt-ampere transformers (and room for two additional transformers); switchgear; an ancillary system; and controls;
- (ii) a supervisory control and data acquisition system compatible with EDC’s requirements, advanced forecasting tools and expanded information and communication technology applications;
- (iii) a dedicated 40-kilometer 230-kilovolt double circuit overhead transmission line between the solar park substation and GS6; and
- (iv) two new bays with switchgear at GS6.

Output 2: Strengthening capacity of EDC in solar power plant construction and operation, project design and supervision, grid integration and competitive procurement

The Project will strengthen EDC’s capacity to design, construct, and operate solar photovoltaic plants and solar parks (including management of environmental and social safeguards issues). The project will also strengthen EDC’s capacity to procure solar photovoltaic generation capacity through the private sector, and to adopt energy storage systems and other measures to integrate intermittent renewable energy into the national grid.

ELECTRICITÉ DU CAMBODGE

National Solar Park Project

ADB Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF)

Notes to the financial statements (continued) for the period from 18 September 2019 to 31 December 2020

1. Background and activities (continued)

The table below sets forth the categories of items of expenditure to be financed out of the proceeds of the ADB Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF), financing and the allocation of amounts of the Loans and Grant to each such category:

No.	Item	ADB Loan No. 3789 – CAM (COL)		ADB Loan No. 8357 – CAM (COL)		ADB Grant No. 0645 – CAM (EF)		Total (US\$)
		Amount Allocated (US\$)	Basis for Withdrawal	Amount Allocated (US\$)	Basis for Withdrawal	Amount Allocated (US\$)	Basis for Withdrawal	
1	Works (turnkey contract)	3,150,000	18.58% of total expenditure claimed*	10,820,000	63.75% of total expenditure claimed*	3,000,000	17.67% of total expenditure claimed*	16,970,000
2	Consulting services	1,500,000	100% of total expenditure claimed*	-	Not applicable	-	Not applicable	1,500,000
3	Interest charge	160,000	100% of amount due	-	Not applicable	-	Not applicable	160,000
4	Service charges	-	Not applicable	180,000	100% of amount due	-	Not applicable	180,000
5	Unallocated	2,830,000	Not applicable	-	Not applicable	-	Not applicable	2,830,000
	Total	7,640,000		11,000,000		3,000,000		21,640,000

* Exclusive of taxes and duties imposed within the territory of the Project.

ELECTRICITÉ DU CAMBODGE

National Solar Park Project

ADB Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF)

Notes to the financial statements (continued) for the period from 18 September 2019 to 31 December 2020

2. Basis of accounting

(a) Statement of compliance

The financial statements have been prepared in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards (“CPSAS”). This is the first set of financial statements prepared in accordance with CPSAS since the commencement of the Project.

The financial statements are prepared for the information of and use by the management of the Project, the Ministry of Economy and Finance (“MEF”) and the Asian Development Bank (“ADB”). As a result, the financial statements may not be suitable for another purpose.

(b) Basis of measurement

The financial statements expressed in United States Dollars (“US\$”) have been prepared under the historical cost convention.

3. Significant accounting policies

(a) Fund receipts and payments

Fund receipts are defined as the fund received by the projects from donors. This is recognised when received and recorded as gross amounts of bank charges.

Payments represents all costs paid to support the objective of the Projects and are recognised when paid.

(b) Statement of advance account

The statement of advance account is prepared in accordance with the Loan and Grant Agreements and is purely used to receive and pay for expenditure financed by the ADB loan and grant proceeds.

(c) Non-expendable equipment

The cost of non-expendable equipment is charged to the statement of receipts and payments and statement of advance account upon acquisition. For control and management purposes, a memorandum account for non-expendable equipment is maintained by way of a non-expendable equipment listing.

ELECTRICITÉ DU CAMBODGE

National Solar Park Project

ADB Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF)

Notes to the financial statements (continued) for the period from 18 September 2019 to 31 December 2020

3. Significant accounting policies (continued)

(d) Interest charge

The interest charged by the ADB is a direct payment, and accounted for in the statement of receipts and payments as receipts with corresponding payment category.

(e) Foreign currency transactions

The Project transacts its operations and maintains its accounting records primarily in United States Dollars (“US\$”). Transactions in currencies other than US\$ are converted into US\$ at the rates of exchange prevailing on the transaction dates published by the National Bank of Cambodia.

Cash and bank balances in currencies other than US\$ are translated into US\$ at the open market rates of exchange at the year/period-end date. All foreign exchange differences are recognised in the statement of receipts and payments and the statement of advance account.

(f) In-kind contribution

All in-kind contribution from the RGC to the Project is not accounted for in the statement of receipts and payments and statement of advance account. In-kind contribution is disclosed in the note to the financial statements for information only.

4. Direct payment

Direct payment relates to payments made by ADB directly to the suppliers, constructors and consultants on behalf of the Project and upon the request from the Project.

5. Works

Works represent the expenses to Xian Electric Engineering Co., Ltd on procurement of plant – design, supply and installation. This amount is the advance payment during the year, and no advance payment have been liquidated yet as at 31 December 2020. Refer to Note 9 for details.

ELECTRICITÉ DU CAMBODGE

National Solar Park Project

ADB Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF)

Notes to the financial statements (continued) for the period from 18 September 2019 to 31 December 2020

6. Consulting services

Consulting services represent the expenses to Joint Venture of Newjec Inc. and Cheang Engineering Consultants Co., Ltd on the consulting service supervision of the implementation of transmission lines and substation project.

7. Statement of disbursement

Details of statement of disbursement from ADB fund are as follows:

		Period from 18 September 2019 to 31 December 2020
		US\$
ADB fund claims during the year/period		
Direct payments	(A)	<u>1,261,598</u>
Total expenditure made during the year/period	(B)	1,261,598
Expenditure made out of Government Counterpart fund	(C)	-
Expenditure not yet claimed during the period	(D)	-
Initial advance remains unused	(E)	<u>-</u>
Total eligible expenditure claimed (F=A+B+C+D+E)	(F)	<u>1,261,598</u>

ELECTRICITÉ DU CAMBODGE

National Solar Park Project

ADB Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF)

Notes to the financial statements (continued)
for the period from 18 September 2019 to 31 December 2020

8. Payments by category and financiers

Particulars	ADB Loan No. 3789 – CAM (COL)		ADB Loan No. 8357 – CAM (SCF)		ADB Grant No. 0645 – CAM (EF)		Total
	US\$	%	US\$	%	US\$	%	US\$
Works (turnkey contract)	204,242	18.58	700,778	63.75	194,239	17.67	1,099,259
Consulting services	161,596	100	-	-	-	-	161,596
Interest/service charge	587	100	156	100	-	-	743
Total payments – for the period from 18 September 2019 to 31 December 2020	366,425	29.04	700,934	55.56	194,239	15.40	1,261,598
% of total project costs – for the period from 18 September 2019 to 31 December 2020	4.80%		6.37%		6.47%		5.83%

ELECTRICITÉ DU CAMBODGE

National Solar Park Project

ADB Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF)

Notes to the financial statements (continued) for the period from 18 September 2019 to 31 December 2020

9. Advance to contractors

During the period, the Project incurred the following advance transactions:

	Period from 18 September 2019 to 31 December 2020 <hr/> US\$
At beginning of the period	-
Addition for the period (*):	
Works (turnkey contract)	1,099,259
Liquidation:	
Works (turnkey contract)	-
At end of the period (**)	<hr/> 1,099,259

(*) The advances were recorded as payments in respective payment categories in the statement of receipts and payments upon incurred (Note 5).

(**) This represents unliquidated advances which maintained by way of an advance register by management for monitoring purpose.

ELECTRICITÉ DU CAMBODGE

National Solar Park Project

ADB Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF)

Notes to the financial statements (continued)

for the period from 18 September 2019 to 31 December 2020

10. Statement of withdrawals

Withdrawal application No.	Description	Date	Currency	Works	Consulting services	Interest/service charge	Total
ADB Loan No. 3789 – CAM (COL)							
A00001	Direct payment	25-Sep-20	US\$	204,242	-	-	204,242
A00002	Direct payment	8-Oct-20	US\$	-	42,844	-	42,844
A00003	Direct payment	16-Oct-20	US\$	-	32,727	-	32,727
A00004	Direct payment	15-Dec-20	US\$	-	44,843	-	44,843
A00005	Direct payment	15-Dec-20	US\$	-	41,182	-	41,182
CAP	Direct payment	15-Dec-20	US\$	-	-	587	587
Sub-total (A)				204,242	161,596	587	366,425
ADB Loan No. 8357 – CAM (SCF)							
C0001	Direct payment	25-Sep-20	US\$	700,778	-	-	700,778
CAP	Direct payment	15-Dec-20	US\$	-	-	156	156
Sub-total (B)				700,778	-	156	700,934
ADB Grant No. 0645 – CAM (EF)							
G0001	Direct payment	25-Sep-20	US\$	194,239	-	-	194,239
Sub-total (C)				194,239	-	-	194,239
Total fund receipts for the year (D=A+B+C)				1,099,259	161,596	743	1,261,598

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Sin Sovanny
Director of Finance and Accounting
Department

Phnom Penh, Kingdom of Cambodia

Date: *23, June, 2021*

ELECTRICITÉ DU CAMBODGE

National Solar Park Project

ADB Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF)

Notes to the financial statements (continued) for the period from 18 September 2019 to 31 December 2020

11. Items not recognised in the statement of receipts and payments

11.1. In-kind contribution

The Project's management has identified and calculated in-kind contribution from the RGC and EDC to the Project based on the MEF's guideline as follows:

	As at 31 December 2020 US\$
Land acquisition and resettlement costs	1,113,684
Taxation	
Consulting services	17,673
	<u>1,131,356</u>

11.1. Payment commitments

As at 31 December 2020, the Project had the following payment commitments:

	As at 31 December 2020 US\$
Contracted, but not yet paid:	
Works	9,893,330
Consulting services	1,278,894
	<u>11,172,224</u>

12. Comparative figures

There are no comparative figures as this is the first set of financial statements prepared since the commencement of the Project.

ELECTRICITÉ DU CAMBODGE

National Solar Park Project

ADB Loan No. 3789 – CAM (COL), ADB Loan No. 8357 – CAM (SCF) and ADB Grant No. 0645 – CAM (EF)

Appendix I: Statement of budget versus actual payments for the period from 18 September 2019 to 31 December 2020

Description	Period from 18 September 2019 to 31 December 2020			
	Budget	Actual	Variance	
	US\$	US\$	US\$	%
Investment				
Works (turnkey contract)	5,094,000	1,099,259	3,994,741	78%
Consulting services	728,571	161,596	566,975	78%
Total	5,822,571	1,260,855	4,561,716	78%



Sin Sovanny
Director of Finance and Accounting
Department



Phnom Penh, Kingdom of Cambodia

Date: 23, June, 2021

