

## Montenegro: A2A returns some cash taken from EPCG power utility

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A2A quit to charge 7.75 million for controversial consultancy services and repaid previously paid 4.34 million ...

Italian company A2A has dropped 7.75 million euros in receivables from the Montenegrin Electricity Service for Controversial Consultancy Services (EPCG) and, in the meantime, repaid the previously charged 4.34 million.

This is disclosed in the EPCG audit report, which is available from yesterday's on-site energy company, whose A2A is co-owner.

"With the Signed Contract, all for the purpose of full and final alignment of any possible request, any of the parties concerned, with regard to consultancy services, A2A has undertaken to withdraw all invoices submitted by EPCG in the full amount of EUR 7,750,280 respectively to pay the amount of EUR 4,340,000 within 30 days of signing this contract, A2A paid this amount on 6 November 2017, "the audit report states.

Elektroprivreda announced a business report for 2016, and interested shareholders and the public learned that the energy company on 23 October this year secretly signed the Settlement Agreement with A2A S.P.A.

Suspicious services for EPCG purposes have been the subject of criminal proceedings in Montenegro and controversy for a couple of years now, and the Italian Prosecutor's Office has recently been dealing with this problem. A2A ran the EPCG from the end of 2009 to the beginning of August this year when management left jobs.

The subject of the Settlement Agreement, as stated in the 2016 audit report, was the settlement of the dispute arising from the invoiced consultancy services A2A for EPCG in the period from 2010 to the end of 2012, totaling EUR 7.75 million, EPCG paid A2A on the basis of submitted invoices in the amount of 4.34 million.

Ernst & Young Montenegro did not, as noted above, have been awarded a consultancy service contract with A2A, apart from the Settlement Agreement signed on 23 October 2017, as well as any other evidence that the Italian controversial services actually performed the EPCG.

The government by mid-May 2018 has a deadline to define the model to pay its minority shareholder A2A to EPCG for 250 million.

The auditor, in the alternative, gave an opinion with the reserve on the financial statements

of the Electricity Company of Montenegro for the past year.

The reasons for the reservation are a lack of evidence of ownership for a part of property, plant and equipment, and long-term provisions for employee compensation relating to provisions on the write-off of a portion of housing loans of EUR 2.42 million, as well as liabilities suppliers in the amount of EUR 3.41 million and EUR 4.1 million of accrued liabilities for various A2A spa consultancy services Italy.

The auditor, as noted in the report, could not have access to personal data of the employees of EPCG in order to determine the amount of errors in provisions for employee benefits relating to provisions on the right to write off a portion of housing loans.

The previous auditor also gave a reserved opinion for 2015 due to the lack of proof of ownership over a part of the fund assets.

Elektroprivreda's management would eliminate old losses

The EPCG Assembly is on December 29, when stockholders, in addition to their business in 2016, should consider making decisions on covering the accumulated loss, reducing core capital by covering losses and unallocated profits.

Accumulated loss of EPCG, according to adopted and revised financial statements as at 31.12.2016. € 156.984.140.

According to the proposal of current management, EUR 8,613,641 has been allocated from the funds of the issue of premium amounting to EUR 51,963,974 and the base capital in the amount of EUR 96,409,525.

*Source: Dan*