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Independent Auditors' Report

To the Board of Trustees
Fund for Rural Economic Development in Armenia

We have audited the accompanying financial statements of the Fund for Rural Economic Development in Armenia (the "Fund"), which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, changes in fund balance and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to the fact that the corresponding figures presented, excluding the adjustments described in note 3 (m) to the financial statements, are based on the financial statements of the Fund as at and for the year ended 31 December 2009, which were audited by other auditors whose report dated 28 June 2010 expressed an unmodified opinion on those statements. As part of our audit of the 2010 financial statements, we also audited the adjustments described in note 3 (m) to the financial statements that were applied to amend the 2009 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2009 financial statements of the other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2009 financial statements taken as a whole.

AP S. Coxshall

Andrew Coxshall
Director

KPMG

KPMG Armenia cjs
20 May 2011



Tigran Gasparyan

Tigran Gasparyan
Head of Audit Department

Fund for Rural Economic Development in Armenia
Statement of Financial Position as at 31 December 2010

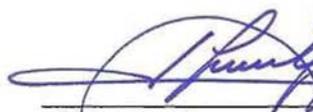
'000 AMD	Note	2010	2009 (Restated)
ASSETS			
Non-current assets			
Property, equipment and intangible assets	8	14,054	22,598
Investments in projects	9	432,466	-
Loans given	10	34,802	-
Total non-current assets		481,322	22,598
Current assets			
Loans given	10	7,354	-
Prepayments		17,495	11,401
Cash and cash equivalents	11	68,011	262,656
Total current assets		92,860	274,057
Total assets		574,182	296,655
FUND BALANCE AND LIABILITIES			
Fund balance			
Contribution from founders	12	320,570	148,473
Retained earnings/(accumulated losses)		18,930	(3,075)
Total fund balance		339,500	145,398
Non-current liabilities			
Loans and borrowings	12	123,114	51,625
Grants received	14	14,054	22,598
Deferred tax liability	13	5,883	-
Total non-current liabilities		143,051	74,223
Current liabilities			
Grants received	14	87,757	74,777
Other payables		3,389	2,257
Income tax payable		485	-
Total current liabilities		91,631	77,034
Total liabilities		234,682	151,257
Total fund balance and liabilities		574,182	296,655

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 27.

Fund for Rural Economic Development in Armenia
Statement of Comprehensive Income for the year ended 31 December 2010

'000 AMD	Note	2010	2009
Income from grants received	4	140,409	46,626
Finance income	5	34,623	-
Other income		585	110
Administrative expenses	6	(140,753)	(48,803)
Interest expense on financial liabilities measured at amortised cost		(9,467)	(98)
Net foreign exchange loss		(2,907)	(910)
Profit/ (loss) before income tax		22,490	(3,075)
Income tax expense	7	(485)	-
Profit/ (loss) and total comprehensive income for the year		22,005	(3,075)

These financial statements were approved by management on 20 May 2011 and were signed on its behalf by:



FREDA

Tigran Khanikyan
Director


 Gohar Hovhannsiyan
Chief Accountant