

## Independent auditor's report

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

We have audited the accompanying financial statements of Fund for Rural Economic Development in Armenia (the “Fund”), which comprise the statement of financial position as of December 31, 2015, and the statement of profit or loss and other comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and 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.

### *Auditor's 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.

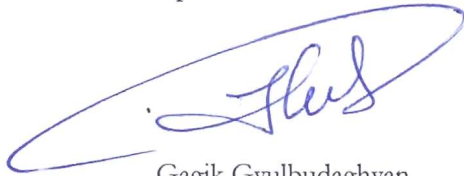
*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Fund for Rural Economic Development in Armenia as of December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Other matter*

The financial statements for the year ended December 31, 2014 were audited by Ernst and Young CJSC. The latter expressed unqualified opinion on those financial statements on June 15, 2015.

April 13, 2016



Gagik Gyulbudaghyan

Managing Partner



Lilit Arabajyan, FCCA

Engagement Partner



## Statement of financial position

| In thousand drams                          | Note | As of December<br>31, 2015 | As of December<br>31, 2014 |
|--|------|----------------------------|----------------------------|
| <b>Assets</b>                              |      |                            |                            |
| <i>Non-current assets</i>                  |      |                            |                            |
| Property and equipment                     |      | 1,239                      | 2,897                      |
| Deferred income tax assets                 | 4    | 76,234                     | -                          |
| Investments in projects                    | 5    | 160,119                    | 291,685                    |
| Loans given                                | 6    | 373,173                    | 415,848                    |
| Non-current receivables                    | 7    | 120,466                    | -                          |
|  |      | <u>731,231</u>             | <u>710,430</u>             |
| <i>Current assets</i>                      |      |                            |                            |
| Inventories                                |      | 981                        | 570                        |
| Investments in projects                    | 5    | 1,792                      | 64,968                     |
| Loans given                                | 6    | 155,701                    | 39,400                     |
| Accounts receivable                        | 7    | 45,655                     | 16,040                     |
| Cash and cash equivalents                  | 8    | 589,785                    | 761,571                    |
|  |      | <u>793,914</u>             | <u>882,549</u>             |
| <b>Total assets</b>                        |      | <u><u>1,525,145</u></u>    | <u><u>1,592,979</u></u>    |
| <i>Non-current liabilities</i>             |      |                            |                            |
| Long-term borrowings                       | 9    | 632,545                    | 586,318                    |
| Grants related to assets                   | 10   | 61,042                     | 56,311                     |
|  |      | <u>693,587</u>             | <u>642,629</u>             |
| <i>Current liabilities</i>                 |      |                            |                            |
| Short-term portion of long-term borrowings | 9    | 39,113                     | 41,840                     |
| Grants related to income                   | 11   | 132,626                    | 166,272                    |
| Trade and other payables                   | 12   | 170,763                    | 3,117                      |
| Current income tax liabilities             |      | 2,609                      | 7,597                      |
|  |      | <u>345,111</u>             | <u>218,826</u>             |
| <i>Net assets</i>                          |      |                            |                            |
| Accumulated result                         |      | 486,447                    | 731,524                    |
| <b>Total net assets and liabilities</b>    |      | <u><u>1,525,145</u></u>    | <u><u>1,592,979</u></u>    |

The financial statements were approved on April 13, 2016 by:

Alexander Kalantaryan  
 Acting Director

Gohar Hovhannisyanyan  
 Chief Accountant

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 8 to 33.



## Statement of profit or loss and other comprehensive income

| In thousand drams                      | Note | Year ended<br>December 31,<br>2015 | Year ended<br>December 31,<br>2014 |
|--|------|------------------------------------|------------------------------------|
| Income from investments                | 13   | 81,063                             | 151,370                            |
| Income from grants received            |      | 20,077                             | 199,000                            |
| Other income                           |      | 7,553                              | 5,763                              |
|  |      | <u>108,693</u>                     | <u>356,133</u>                     |
| General and administrative expenses    | 14   | (140,374)                          | (274,243)                          |
| Loss from disposal of investments, net | 15   | (41,002)                           | -                                  |
| Impairment loss                        | 16   | (197,111)                          | (871,132)                          |
|  |      | <u>(269,794)</u>                   | <u>(789,242)</u>                   |
| Finance income                         | 17   | 94,577                             | 40,462                             |
| Finance costs                          | 17   | (112,553)                          | (84,451)                           |
| Foreign exchange (loss)/gain, net      | 18   | (16,646)                           | 3,226                              |
| Loss before income tax                 |      | <u>(304,416)</u>                   | <u>(830,005)</u>                   |
| Income tax (expense)/recovery          | 19   | 59,339                             | (49,720)                           |
| Total comprehensive loss for the year  |      | <u>(245,077)</u>                   | <u>(879,725)</u>                   |

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 33.