

22 Hanrapetutyan Street  
0010 Yerevan, Republic of Armenia  
Tel: +374(10) 544-301  
Tel: +374(10) 544-309  
Fax: +374(10) 562-404  
Email: [info@bakertillyarmenia.com](mailto:info@bakertillyarmenia.com)  
[www.bakertilly.am](http://www.bakertilly.am)

29.08.2019  
№ 021915

**CONFIRMED BY:**  
  
**P. GEVORGYAN**  
**Managing Partner**  
**Baker Tilly Armenia CJSC**

License for auditing N054 awarded by the Ministry of  
Finance and Economy of the Republic of Armenia

## **INDEPENDENT AUDITOR'S REPORT**

**To Board of Trustees of the Fund for  
Rural Economic Development in Armenia (FREDA)**

### **Opinion**

We have audited the accompanying financial statements of the Fund for Rural Economic Development in Armenia (FREDA) (the Fund), which comprise the Statement of Financial Position as at 31 December 2018, the Statement of Profit or Loss and other Comprehensive Income, the Statement of Changes in Net Assets, and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

## **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Armenia, and we have fulfilled our 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 matters**

The Fund's financial statements for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 June 2018.

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

The Fund's Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 a 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 operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities 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 a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Fund 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

Auditor

M. Ponamareva  
29.08.2019



**STATEMENT OF FINANCIAL POSITION**  
*As at 31 December 2018*

			AMD ths.
	Notes	2018	2017
<b>ASSETS</b>			
<i>Non-Current Assets</i>			
Property and Equipment		10	1,866
Intangible Assets		3,269	4,180
Deferred tax assets	4	44,720	35,976
Investments in projects	5	364,456	191,804
Credits provided	6	652,950	849,024
Accounts receivable	7	186,662	122,193
<b>Total Non-Current Assets</b>		<b>1,252,067</b>	<b>1,205,043</b>
<i>Current Assets</i>			
Inventory		173	144
Receivables regarding current profit tax		2,800	3,315
Investments in projects	5	-	-
Credits provided	6	744,323	346,132
Accounts receivable	7	72,739	37,035
Cash and cash equivalents	8	196,956	126,965
<b>Total Current Assets</b>		<b>1,016,991</b>	<b>513,591</b>
<b>TOTAL ASSETS</b>		<b>2,269,058</b>	<b>1,718,634</b>
<b>LIABILITIES</b>			
<i>Non-current Liabilities</i>			
Loans and Borrowings	9	1,219,968	925,584
Grants related to assets	10	1,899,006	1,671,230
		<b>3,118,974</b>	<b>2,596,814</b>
<i>Current Liabilities</i>			
Current portion of long term liabilities	9	16,967	12,295
Grants related to income	11	-	14,220
Trade and other payables	12	9,622	6,428
<b>Total Current Liabilities</b>		<b>26,589</b>	<b>32,943</b>
<i>Net Assets</i>			
Accumulated result		(876,505)	(911,123)
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>2,269,058</b>	<b>1,718,634</b>

Alexander Kalantaryan  
Acting Director

Gohar Hovhannisyants  
Chief accountant

Date of signature: 29.08.2019



**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
*For the year ended 31 December 2018*

		<b>AMD ths.</b>	
		<i>(In thousand Drams)</i>	
	Notes	<b>2018</b>	<b>2017</b>
Income from investments	13	350,602	123,068
Grant income		108,997	371,901
Other income	14	53,202	310,882
General and administrative expenses	15	(166,899)	(433,972)
Impairment loss	16	(134,744)	(74,915)
<b>Results of operating activities</b>		<b>211,158</b>	<b>296,964</b>
Finance income	17	17,814	41,053
Financial expense	17	(203,092)	(167,573)
(Loss) / Gain from exchange differences, net	18	(6)	709
<b>Profit /(loss) before taxes</b>		<b>25,874</b>	<b>171,153</b>
Profit tax refund / (expense)	19	8,744	(18,343)
<b>Result for the year</b>		<b>34,618</b>	<b>152,810</b>
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>34,618</b>	<b>152,810</b>