

Baker Tilly Armenia CJSC
22 Hanrapetutyan Street
0010 Yerevan, Republic of Armenia
Tel: +374(10) 544-301
Tel: +374(10) 544-307/309
Fax: +374(10) 562-404
Email: info@bakertillyarmenia.com
www.bakertilly.am

13.07.2020
№ 022020

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) (hereafter, "the Fund"), which comprise the Statement of Financial Position as at 31 December 2019, 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 2019, 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.

ADVISORY • ASSURANCE • ACCOUNTING • TAX

Baker Tilly Armenia CJSC is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

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.

ADVISORY • ASSURANCE • ACCOUNTING • TAX

Baker Tilly Armenia CJSC is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

- 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

Sh. Tashchiyan

13.07.2020

A handwritten signature in blue ink, appearing to be 'Sh. Tashchiyan', written over a light blue horizontal line.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

| | | | AMD ths. |
|--|-------|------------------|------------------|
| | Notes | 2019 | 2018 |
| ASSETS | | | |
| <i>Non-Current Assets</i> | | | |
| Property and Equipment | 4 | 8,493 | 10 |
| Intangible Assets | | 2,359 | 3,269 |
| Deferred tax assets | 5 | 56,623 | 44,720 |
| Investments in projects | 6 | 561,122 | 364,456 |
| Credits provided | 7 | 845,893 | 652,950 |
| Accounts receivable | 8 | 115,667 | 186,662 |
| Total Non-Current Assets | | 1,590,157 | 1,252,067 |
| <i>Current Assets</i> | | | |
| Inventory | | 109 | 173 |
| Receivables regarding current profit tax | | 2,800 | 2,800 |
| Investments in projects | 6 | - | - |
| Credits provided | 7 | 503,553 | 744,323 |
| Accounts receivable | 8 | 60,114 | 72,739 |
| Cash and cash equivalents | 9 | 462,180 | 196,956 |
| Total Current Assets | | 1,028,756 | 1,016,991 |
| TOTAL ASSETS | | 2,618,913 | 2,269,058 |
| LIABILITIES | | | |
| <i>Non-current Liabilities</i> | | | |
| Loans and Borrowings | 10 | 1,517,423 | 1,219,968 |
| Grants related to assets | 11 | 2,102,179 | 1,899,006 |
| Trade and other payables | 12 | 3,176 | - |
| Total non-current liabilities | | 3,622,778 | 3,118,974 |
| <i>Current Liabilities</i> | | | |
| Current portion of long term liabilities | 10 | 12,643 | 16,967 |
| Trade and other payables | 12 | 14,146 | 9,622 |
| Total Current Liabilities | | 26,789 | 26,589 |
| <i>Net Assets</i> | | | |
| Accumulated result | | (1,030,654) | (876,505) |
| TOTAL NET ASSETS AND LIABILITIES | | 2,618,913 | 2,269,058 |

Alexander Kalantaryan
Acting Director

Gohar Hovhannisyan
Chief accountant

Date of signature: 13.07.2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

| | | | <u>AMD ths.</u> |
|--------------------------------------|-------|------------------|-----------------|
| | Notes | <u>2019</u> | <u>2018</u> |
| Income from investments | 13 | 171,355 | 350,602 |
| Grant income | | 107,601 | 108,997 |
| Other income | 14 | 37,110 | 53,202 |
| General and administrative expenses | 15 | (127,168) | (166,899) |
| Impairment loss | 16 | (203,951) | (134,744) |
| Results of operating activity | | (15,053) | 211,158 |
| Finance income | 17 | 15,798 | 17,814 |
| Financial expense | 17 | (166,791) | (203,092) |
| Loss from exchange differences, net | | (6) | (6) |
| Result before taxes | | (166,052) | 25,874 |
| Profit tax refund | 18 | 11,903 | 8,744 |
| Result for the year | | (154,149) | 34,618 |
| Other comprehensive income | | | |
| Other comprehensive income | | - | - |
| Total comprehensive income | | (154,149) | 34,618 |