

# Independent auditor's report

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

## Opinion

We have audited the financial statements of Fund for Rural Economic Development in Armenia (the "Fund"), which comprise the statement of financial position as of 31 December 2020, 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 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 of 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's 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 (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Matter

The financial statements of the Fund for the year ended 31 December 2019 were audited by another auditor who expressed an unqualified opinion on those financial statements on 13 July 2020.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 those authorized by the legislation of the Republic of Armenia either intend 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.

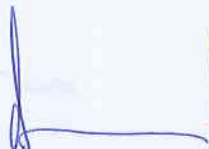
### *Auditor's Responsibilities for the Audit of the Financial Statements*

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, 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.

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.

  
Armen Hovhannisyan  
Chief Executive Officer



  
Lilit Arabajyan, FCCA  
Engagement Partner

17 December 2021

# Statement of financial position

In thousand drams

	Note	As of 31 December 2020	As of 31 December 2019 (restated)	As of 1 January 2019 (restated)
<b>Assets</b>				
<i>Non-current assets</i>				
Property and equipment		2,811	8,493	10
Intangible assets		1,447	2,358	3,269
Deferred income tax assets	4	90,181	52,978	54,228
Investments in projects	5	939,206	731,311	534,211
Non-current loans given	6	1,243,755	735,202	1,184,569
Long-term accounts receivable	7	200,389	161,414	248,245
		<u>2,477,789</u>	<u>1,691,756</u>	<u>2,024,532</u>
<i>Current assets</i>				
Inventories		279	110	173
Loans given	6	447,175	598,823	112,014
Accounts receivable	7	48,800	73,611	114,645
Bank deposits	8	220,869	311,596	76,511
Bank balances		142,759	150,584	120,445
		<u>859,882</u>	<u>1,134,724</u>	<u>423,788</u>
<b>Total assets</b>		<u>3,337,671</u>	<u>2,826,480</u>	<u>2,448,320</u>
<b>Liabilities and net assets</b>				
<i>Non-current liabilities</i>				
Long-term loans	9	1,872,675	1,517,378	1,219,977
Grants related to assets	10	2,295,334	2,102,224	1,898,990
		<u>4,168,009</u>	<u>3,619,602</u>	<u>3,118,967</u>
<i>Current liabilities</i>				
Short-term portion of long-term loans	9	138,063	12,643	16,975
Trade and other payables	11	15,466	17,322	9,622
		<u>153,529</u>	<u>29,965</u>	<u>26,597</u>
<i>Net assets</i>				
Accumulated result		<u>(983,867)</u>	<u>(823,087)</u>	<u>(697,244)</u>
<b>Total liabilities and net assets</b>		<u>3,337,671</u>	<u>2,826,480</u>	<u>2,448,320</u>

The financial statements were approved on 17 December 2021 by:

Alexander Kalantaryan  
Director

Gohar Hovhannisyan  
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 9 to 31.