

**FUND FOR RURAL ECONOMIC DEVELOPMENT  
IN ARMENIA (FREDA)**

**FINANCIAL STATEMENTS**

**in Armenian Drams**

**31 December 2024**

**YEREVAN 2025**

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05 June 2025  
N 022508



**APPROVED:**

**V. GEVORGYAN**

General Director  
Baker Tilly Armenia CJSC

## **INDEPENDENT AUDITOR'S REPORT**

*To Board of Trustees of  
HimnaTavush Development Fund*

### ***Opinion***

We have audited the accompanying financial statements of the Fund for Rural Economic Development in Armenia (hereafter, “the Fund”), which comprise the Statement of Financial Position as at 31 December 2024, 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 2024, 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.

### ***Other matters***

The Fund's financial statements for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 June 2024.

### ***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 scepticism 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 to design audit procedures that are appropriate in the circumstances, but not to express 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 or business activities of 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

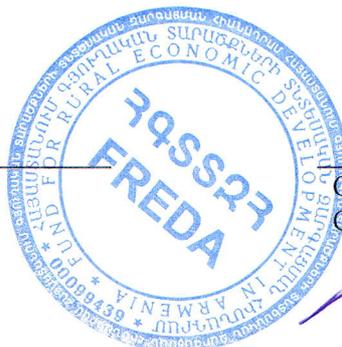
05.06.2025



**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2024

	<i>Notes</i>	<b>2024</b>	<i>AMD ths.</i> <b>2023</b>
<b>ASSETS</b>			
<i>Non-Current Assets</i>			
Property and Equipment		940	882
Right-of-use assets	4	10,811	16,988
Intangible assets		500	500
Investments in projects	5	553,854	482,142
Loans provided	6	566,157	613,277
Accounts receivable	7	186,451	190,489
<b>Total Non-Current Assets</b>		<b>1,318,713</b>	<b>1,304,278</b>
<i>Current Assets</i>			
Inventory		969	
Current portion of loans provided	6	329,812	1,324
Accounts receivable	7	45,737	452,475
Bank balances		206,448	43,022
<b>Total Current Assets</b>		<b>582,966</b>	<b>144,392</b>
<b>TOTAL ASSETS</b>		<b>1,901,679</b>	<b>1,945,491</b>
<b>LIABILITIES AND NET ASSETS</b>			
<i>Non-current Liabilities</i>			
Long term loans	8	1,886,763	2,039,441
Grants related to assets	9	1,728,692	1,881,682
Lease liability	10	5,480	11,854
<b>Total Non-current Liabilities</b>		<b>3,620,935</b>	<b>3,932,977</b>
<i>Current Liabilities</i>			
Current portion of long term loans	8	237,508	13,749
Current portion of lease liabilities	10	6,375	5,446
Trade and other payables	11	13,037	13,370
<b>Total Current Liabilities</b>		<b>256,920</b>	<b>32,565</b>
<i>Net Assets</i>			
Accumulated result		(1,976,176)	(2,020,051)
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>1,901,679</b>	<b>1,945,491</b>

Alexander Kalantaryan  
Acting Director  
05.06.2025



Gohar Hovhannisyan  
Chief Accountant

**STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
For the year ended 31 December 2024

	<i>Notes</i>	<b>2024</b>	<i>AMD ths.</i> <b>2023</b>
Income from financial assets at amortised cost	12	175,881	152,446
Income / (Loss) from financials assets at FVTPL	13	21,217	(25,891)
Income from grants	9	152,990	145,058
Finance cost	14	(243,218)	(235,020)
Financial assets credit loss expense		20,637	(203,462)
General and administrative expenses	15	(83,555)	(154,496)
Other non-operating (expense) / income		(77)	362
<b>Gain / (loss) before taxes</b>		<b>43,875</b>	<b>(321,003)</b>
Income tax expense		-	(68,202)
<b>Profit / (loss) for the year</b>		<b>43,875</b>	<b>(389,205)</b>
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>43,875</b>	<b>(389,205)</b>
Net assets at the beginning of the year		(2,020,051)	(1,630,846)
Net assets at the end of the year		(1,976,176)	(2,020,051)

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2024**

	<b>2024</b>	<i>AMD ths.</i> <b>2023</b>
<b><i>Cash flows from operating activity</i></b>		
Proceeds from disposal of investments in projects	24,449	71,542
Income received from investments in projects	20,056	16,316
Repayment of borrowings	237,127	148,568
Interest income from borrowings provided	52,156	56,955
Interest proceeds from bank balances	6,935	7,715
Net other proceeds	4,692	6,986
<b>Total operating income</b>	<b>345,415</b>	<b>308,082</b>
Borrowings provided	(25,830)	(102,170)
Salary and other equivalent payments	(40,152)	(34,944)
Taxes and other mandatory payments	(14,748)	(9,658)
Payments to suppliers	(17,654)	(21,233)
Net other expense	(7,317)	(9,860)
<b>Total operating expense</b>	<b>(105,701)</b>	<b>(177,865)</b>
<b>Net cash received from operating activities</b>	<b>239,714</b>	<b>130,217</b>
<b><i>Cash flows from financing activities</i></b>		
Repayment of principal amount of loans	(70,915)	(70,915)
Loan interest paid	(98,867)	(100,016)
Rental fees paid	(7,800)	(7,800)
<b>Net cash used in financing activities</b>	<b>(177,582)</b>	<b>(178,731)</b>
<b>Net decrease in bank balances</b>	<b>62,132</b>	<b>(48,514)</b>
Foreign exchange effect on cash and cash equivalents	(76)	108
Bank balances at the beginning of the year	144,392	192,798
<b>Bank balances at the end of the year</b>	<b>206,448</b>	<b>144,392</b>

## Notes attached to the Financial Statements

For the year ended 31 December 2024

### 1. Nature of operations and general information

Fund for Rural Economic Development (the “Fund”) was established in accordance with decree № 100-N of the Government of the Republic of Armenia on 8 January 2009.

The Fund was established following the requirements of “Farmer market access program” financing agreement dated 8 January 2008 signed between the Republic of Armenia and International Fund for Agricultural Development (IFAD), and approved by the National Assembly of the Republic of Armenia.

The Fund’s mission is assisting in rural economic development to decrease the poverty  
The Fund’s principal activity is to provide financing to rural small and medium enterprises, thus enabling them to improve their competitive position in a market.

For the purpose of financing the Fund received grants from the International Fund for Agricultural Development, as well as loans with preferential terms from the Ministry of Finance of the Republic of Armenia.

The Fund is governed by the Board of Trustees chaired by the Minister of Economy of the Republic of Armenia.

The Fund’s registered address is 39a Mamikonyants Street, Yerevan 0014, Republic of Armenia;  
the actual address is 22 Parpetsi Street, Apt. 3, Yerevan.

The average number of employees of the Fund during the year 2024 was 6 people (2023: 6 people).

### 2. Basis of preparation

#### 2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Currently the IFRSs do not contain specific guidance for non-profit organizations and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where IFRSs do not give guidance on treatment of transactions specific to nonprofit sector, accounting policies have been based on the general principles of IFRS, as detailed in the International Accounting Standards Board (“IASB”) Framework for the Preparation and Presentation of Financial Statements.

#### 2.2. Basis of recognition

The financial statements have been prepared on the historical cost basis with the exception of certain financial instruments that are stated at present discounted value of future cash flows.

#### 2.3. Functional and presentation currency

The national currency of Armenia is the Armenian Dram (AMD), which is the Fund’s functional currency, since this currency best reflects the economic substance of the events underlying the financial statements and the transactions of the Fund.

These financial statements are presented in Armenian Drams, since management believes that this currency is more useful for the users of these financial statements. All financial information presented in Armenian Drams has been rounded to the nearest thousand.

#### 2.4. Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires that the Fund’s management make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses of the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 15 to the financial statements.

#### 2.5. Adoption of new and revised standards

In the current year the Fund has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (the “IASB”) and International Financial Reporting Interpretations

Committee (the “IFRIC”) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2024.

The nature and the effect of these changes are disclosed below.

### **New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2024**

New standards and amendments described below and applied for the first time in 2024 did not have a material impact on the annual financial statements of the Fund:

- Amendments to IFRS 17 “*Insurance Contracts including the Extension of the Temporary Exemption from Applying IFRS 9*” (Amendments to IFRS 4)
- “*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*” (Amendments to IAS 12)
- Initial application of IFRS 17 and IFRS 9 – Comparative information (Amendment to IFRS 17)
- “*Definition of Accounting Estimates*” (Amendments to IAS 8)
- “*Disclosure of Accounting Policies*” (Amendments to IAS 1 and Practice Statement 2)
- “*International Tax Reform – Pillar Two Model Rules*” (Amendments to IAS 12)
- “*International Tax Reform – Pillar Two Model Rules*” (Amendments to the IFRS for SMEs Standard)

With the exception of the amendments to IAS 1 and IFRS Practice Statement 2 – “*Disclosure of Accounting Policies*” presented below, other standards and amendments did not have material impact on the financial statements of the Fund.

#### **Amendments to IAS 1 and IFRS Practice Statement 2- “Disclosure of Accounting Policies”**

In IAS 1 and IFRS Statement Practice 2 (Making Materiality Judgements), the amendments provide guidance and examples to help entities apply materiality judgments on accounting policy disclosures. The purpose of the amendments is to help entities present more useful accounting policy disclosures by replacing the requirement to disclose “significant” accounting policies with a requirement to disclose “material” accounting policies and by adding guidance on how entities should apply the concept of materiality when disclosing accounting policies.

#### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Fund**

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Fund.

Management anticipates that all of the relevant pronouncements will be adopted in the Fund’s accounting policies for the first period beginning on or after the effective date of the pronouncement.

Management does not anticipate a material impact on the Fund’s financial statements from these Standards and Amendments. They are presented below:

- “*Lack of Exchangeability*” (Amendments to IAS 21)
- “*Amendments to the Classification and Measurement of Financial Instruments*” (Amendments to IFRS 9 and 7)
- IFRS 18 “*Presentation and Disclosure in Financial Statements*”
- IFRS 19 “*Subsidiaries without Public Accountability: Disclosures*”

### **3. Significant accounting policies**

#### **3.1. Foreign currencies**

##### ***Foreign currency transactions***

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date, which is 396.56 drams for 1 US dollar, 413.89 drams for 1 Euro, 3.71 drams for 1 Ruble, as of 31 December 2024 (31 December 2023: 404.79 for 1 US dollar, 447.90 drams for 1 Euro, 4.50 drams for 1 Ruble). Non-monetary items are not retranslated and are measured at historic cost.

Exchange differences arising from foreign currency transactions, as well as from the translation of monetary items denominated in foreign currencies, are recognized in profit or loss for the period.

### 3.2. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Gain or loss arising on disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the result for the year.

Expenditure to replace a component of an item of property and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in the statement of comprehensive income as incurred.

Depreciation is recognized in profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Furniture and fixtures	- 3 - 5 years
Computer and office equipment	- 1 - 5 years
Vehicles	- 5 years

### 3.3. Intangible assets

Intangible assets, which are acquired by the Fund and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to the profit or loss or is added to the cost of other asset on a straight line basis over the estimated useful lives of the intangible assets, which is estimated at 5 years for software and licenses.

### 3.4. Leased assets

#### *The Fund as a lessee*

At lease commencement date the Fund recognizes a right-of-use asset and a lease liability in its statement of financial position.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Fund, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Fund depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Fund also assesses the right-of-use asset for impairment when such indicators exist.

#### *Short-term leases*

The Fund has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term

### 3.5. Inventory

Inventories are assets held for sale in the ordinary course of business, in the form of raw materials or supplies, for use in the production of goods or services. Spare parts, emergency equipment and ancillary equipment are also recognised as inventories if they do not meet the definition of fixed assets.

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated completion and selling costs.

The cost of inventories is calculated using the first-in, first-out (FIFO) principle and includes all costs incurred in acquiring the inventories and bringing them to their present condition and location.

### 3.6. Financial instruments

#### *Recognition and initial measurement*

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### *Classification and subsequent measurement*

##### **Financial assets**

On initial recognition, a financial asset is classified as measured at:

- Amortized cost;
- fair value through other comprehensive income (FVOCI) – for debt investments;
- fair value through other comprehensive income (FVOCI) – for equity investments; or
- fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Fund changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### **Financial assets – Assessment whether the contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment and extension features.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### ***Financial assets – Subsequent measurement, gains and losses***

#### **Financial assets at amortized cost**

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

### ***Financial liabilities – classification, subsequent measurement, gains and losses***

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and the respective net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

### ***Modification of financial assets and financial liabilities***

#### **Financial assets**

If the terms of a financial asset are modified, the Fund evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

The Fund performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Fund assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset should be deemed to have expired. In making this evaluation the Fund analogizes to the guidance on de-recognition of financial liabilities.

The Fund concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial asset;
- change in collateral or other credit enhancement.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Fund recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

#### **Financial liabilities**

The Fund derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

If a modification (or exchange) does not result in the de-recognition of the financial liability the Fund applies an

accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the de-recognition of the financial asset, i.e. the Fund recognizes any adjustment to the amortized cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms.

The Fund performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Fund concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

### ***De-recognition***

#### **Financial assets**

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Fund enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### **Financial liabilities**

The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Fund also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

### ***Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

## **3.7. Impairment**

### ***Non-derivative financial assets***

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Fund recognizes loss allowances for ECLs on financial assets measured at amortized cost.

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following instruments, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Fund's historical experience and informed credit assessment, including forward-looking information.

The Fund assumes that credit risk on a financial asset has increased significantly if it is more than 365 days past due. The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing security (if any is held); or
- the financial asset is more than 365 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

### ***Measurement of ECLs***

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive).

### ***Credit-impaired financial assets***

At each reporting date, the Fund assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Fund on terms that the Fund would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

### ***Presentation of allowance for ECL in the statement of financial position***

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

### ***Write-off***

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Fund expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Fund's procedures for recovery of amounts due.

### ***Financial assets measured at amortized cost***

The Fund considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified.

Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by collecting together the assets with similar risk characteristics.

In assessing collective impairment, the Fund has used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognized in profit or loss and reflected in an allowance account. When the Fund considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss was reversed through profit or loss.

### **3.8 Grants**

Grants are not recognized until there is a reasonable assurance that the Fund will comply with all the conditions attached to them and that the grants will be received.

Grants with a primary condition to purchase, construct or otherwise acquire non-current assets are recognized as grants related to assets in the statement of financial position and transferred to statement of comprehensive income on a systematic and rational basis over the useful lives of the related assets.

The difference between the nominal and fair values of loans received from the government at below-market interest rates is recognized as a government grant. The grant is recognized in profit or loss on a systematic basis, offsetting the finance costs of the related loans calculated at the effective interest rate.

Other grants are recognized as income over the periods necessary to match them with the cost for which they are intended to compensate, on a systematic basis. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Fund with no future related costs are recognized in profit or loss in the period in which they become receivable.

### **3.9. Provisions**

A provision is recognized in the statement of financial position when the Fund has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### **3.10. Income tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable result. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable results will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable result nor the accounting result.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable results will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively

enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Fund expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### **3.11. Employee benefits**

Short-term employee benefits are benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and include:

- (a) salaries and bonuses,
- (b) paid annual leaves and paid disability leaves,

When employees render services to the Fund during the accounting period, the Fund recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- (a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Fund shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- (b) as an expense, unless the amount is included in the cost of an asset.

#### ***Paid absences***

The expected cost of short-term employee benefits in the form of paid absences is recognized as follows:

- (a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences.
- (b) in the case of non-accumulating paid absences, when the absences occur.

#### ***Bonuses***

The expected cost of bonus payments is recognized when and only when the Fund has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, the Fund has no realistic alternative but to make the payments.

### **3.12. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, taking into account the amount of any discounts provided by the Fund.

#### ***Dividend and interest income***

Dividend income is recognized when the Fund's right to receive payment is established.

Interest income is recognized on a pro rata basis, applying the effective interest rate to the residual value, which discounts the expected future cash inflows through the expected life of the financial asset to the net carrying amount of the asset.

#### ***Income from disposal of investments***

Income from disposal of investments is recognized when the Fund has transferred to the buyer a significant portion of the risks and rewards of ownership of the investment and when the amount of income and expenses incurred or to be incurred in connection with the transaction can be measured reliably.

### **3.13. Cash and cash equivalents**

For the purpose of the statement of cash flows, cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash equivalents are held to meet short-term cash obligations and not for investment or other purposes. The Fund classifies investments as cash equivalents if they are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

#### 4. Right-of-use Assets

	<i>AMD ths.</i>
	<u>Office area</u>
<b>Initial cost</b>	
As of January 1, 2023	28,882
Remeasurement	(28,882)
Addition	18,532
As of December 31, 2023	18,532
Addition	-
As of December 31, 2024	18,532
<b>Depreciation</b>	
As of January 1, 2023	21,334
Write off because of remeasurement	(26,746)
Annual charge	6,956
As of December 31, 2023	1,544
Annual charge	6,177
As of December 31, 2024	7,721
<b>Net carrying amount</b>	
<b>As of December 31, 2023</b>	<b>16,988</b>
<b>As of December 31, 2024</b>	<b>10,811</b>

#### 5. Investment in projects

The details of investments that belong to the Fund are presented below

<b>2024</b>	<b>Share %</b>	<b>Nominal value</b>	<b>Fair value</b>	<b>Share buyback period</b>
«Agrolog» CJSC	35.30%	105,000	114,199	15 November 2026
«ERIZ» CJSC	33.64%	185,000	185,470	15 November 2027
Meghri Cannery CJSC	43.15%	100,000	70,952	31 December 2026
«Gofroline» CJSC	36.99%	190,815	183,233	31 December 2026
		<b>580,815</b>	<b>553,854</b>	
<b>2023</b>	<b>Share %</b>	<b>Nominal value</b>	<b>Fair value</b>	<b>Share buyback period</b>
«Agrolog» CJSC	35.30%	105,000	101,778	15 November 2026
«ERIZ» CJSC	33.64%	185,000	160,681	15 November 2027
Meghri Cannery CJSC	43.15%	100,000	70,952	31 December 2026
«Gofroline» CJSC	36.99%	190,815	148,731	31 December 2026
		<b>580,815</b>	<b>482,142</b>	

According to the share subscription agreements, the Fund makes investments in various companies, usually in the range of 20-49%. According to these agreements, the other shareholders of the investment companies have the right to buy back the shares from the Fund at any time.

##### *Dividend calculation conditions*

In return for the investments made, the Fund has the right to receive dividends according to the share subscription agreements, commensurate with the amount of its investment, which must be calculated based on the minimum return guaranteed by the investment companies and other shareholders of those companies. In the event that the return received as a result of the companies' activities is not sufficient to pay an annual dividend, which is at least 5% of the Fund's investment value (minimum return), the other shareholders of the companies are obliged to pay the difference between the calculated dividend and the minimum return.

### Investment disposal conditions

According to the share subscription agreements, on the maturity date specified in each agreement, the Fund is obliged to sell the ordinary shares of the companies, and the other shareholders of the companies must repurchase all shares from the Fund.

The share disposal price according to the agreement should be calculated based on the following components:

- The balance of the investment amount
- The amount of dividends calculated and reinvested in the company up to the date of sale
- Penalties applied to overdue liabilities
- A market premium, which will be calculated as 2% of the turnover increase, that is, the difference between the average turnover of the previous two years at the time of exit and the turnover of the year preceding the investment, as an increase in the price of shares.

Details of the measurement of the fair value of investments in projects are described in Note 18.

## 6. Loans provided

Terms and conditions of outstanding loans as of 31 December 2024 and 2023 were as follows

2024	AMD ths.				
	Nominal interest rate	Year of maturity	Gross amount	Impairment allowance	Carrying amount
Agrolog CJSC	8%-12%	2025	57,596	-	57,596
Alkamar LLC	12%	2026	120,541	-	120,541
Gofroline CJSC	5%-8.5%	2025-2027	79,262	-	79,262
Sis Natural CJSC	10%	2025	31,166	-	31,166
Arzni Meat CJSC	-	2028	59,796	-	59,796
SF Trade Ltd	10%-12%	2024	7,807	-	7,807
A. Osipyan LLC	8.00%	2030	269,123	(11,105)	258,018
Trust Management LLC	12%	2025	150,829	(41,979)	108,850
Meghri Cannery CJSC	10%-12%	2025-2026	227,294	(176,797)	50,497
Berdavan wine factory OJSC	13%	2026	197,012	(144,424)	52,588
Yeghegnadzor Cannery CJSC	12%	2022	53,147	(23,723)	29,424
Gechi 15 LLC	10%-12%	2024	33,226	(24,657)	8,569
Marshall Logistics LLC	12%	2025	44,029	(13,767)	30,262
Atast-Food LLC	12%	2020	64,367	(64,367)	-
Garbush LLC	10%-12%	2021-2024	275,910	(274,317)	1,593
			<b>1,671,105</b>	<b>(775,136)</b>	<b>895,969</b>

2023	AMD ths.				
	Nominal interest rate	Year of maturity	Gross amount	Impairment allowance	Carrying amount
Agrolog CJSC	8%-12%	2025	53,024	-	53,024
Alkamar LLC	12%	2026	234,950	-	234,950
Gofroline CJSC	5%-8.5%	2024-2027	105,410	-	105,410
Sis Natural CJSC	10%	2025	62,132	-	62,132
Arzni Meat CJSC	-	2028	37,561	-	37,561
Eriz CJSC	8%-12.5%	2024	9,936	-	9,936
SF Trade Ltd	10%-12%	2024	9,388	-	9,388
A. Osipyan LLC	8%	2030	297,593	(11,105)	286,488
Trust Management LLC	12%	2025	151,829	(41,979)	109,850
Meghri Cannery CJSC	10%-12%	2024-2026	220,615	(179,485)	41,130
Berdavan wine factory OJSC	13%	2026	197,012	(144,424)	52,588

Yeghegnadzor Cannery CJSC	12%	2022	53,147	(23,720)	29,427
Gechi 15 LLC	10%-12%	2024	33,227	(24,657)	8,570
Marshall Logistics LLC	12%	2025	39,066	(13,768)	25,298
Atast-Food LLC	12%	2020	65,813	(65,813)	-
Garbush LLC	10%-12%	2021-2024	275,910	(275,910)	-
			<b>1,846,613</b>	<b>(780,861)</b>	<b>1,065,752</b>

The net carrying amount of loans is considered a reasonable estimate of fair value. Loans are denominated in Armenian drams.

The movement of the provision for loans granted is presented below:

	2024	2023
Opening balance	780,861	577,399
Reversal of provision	(5,725)	-
Provision increase during the year	-	203,462
Closing balance	<b>775,136</b>	<b>780,861</b>

The carrying amount of loans provided to bankrupt companies was determined taking into account the amount of collateral. As of 31 December 2024, the bankrupt companies were: "Atast Food" LLC, "Yeghegnadzor Canery" CJSC, and "Gechi-15" LLC.

The loans granted are secured by collateral - real estate and/or personal guarantees of the borrowers. Details of the exposure to credit risk of the loans are presented in Note 17.

## 7. Accounts receivable

	2024	2023
(AMD ths.)		
<i>Financial assets</i>		
Receivables from sale of investments	213,846	215,842
Other receivables	11,734	10,141
Allowance for ECLs	(2,210)	(2,210)
Net accounts receivable	223,370	223,773
<i>Non-financial assets</i>		
Advances and prepayments	2,311	3,239
Prepaid taxes	6,507	6,499
	<b>232,188</b>	<b>233,511</b>

Details of accounts receivable from sale of investments are as follows:

	Year of maturity	2024	2023
(AMD ths.)			
365 Group CJSC	2029	90,094	93,352
Vayots Dzor Meat CJSC	2028	71,742	70,888
Arzni Meat CJSC	2027	49,800	49,392
		<b>211,636</b>	<b>213,632</b>

Movement of the allowance for loss of receivables is presented below:

	2024	2023
AMD ths.		
Balance at the beginning of the year	2,210	2,210
Allowance adjustment during the year	-	-
Balance at the year end	<b>2,210</b>	<b>2,210</b>

The Fund does not accrue interest on trade receivables. Discount rates for long-term receivables are disclosed in Note 18.

The net carrying amount of trade receivables is considered a reasonable estimate of fair value.

Receivables are denominated in Armenian drams.

Details of the exposure to credit risk of receivables are disclosed in Note 17.

## 8. Long term Loans

In accordance with the agreements signed between International Fund for Agricultural Development and the Ministry of Finance of the Republic of Armenia, the latter has provided loans to the Fund for implementation of *Farmer market access program* and *Support for infrastructure and rural financing program*.

The details of the loans provided are as follows:

Name of Project	Amount provided	Carrying amount	Interest rate per contract	Effective interest rate	Year of maturity	AMD ths.
Farmer market access program	679,993	701,422	2%	14.30%	25.01.2047	
Support for infrastructure and rural financing program	1,444,278	1,351,768	3%	12.30%	25 01.2039	
	<b>2,124,271</b>	<b>2,053,190</b>				

The loans received were recorded at fair value upon initial recognition and the difference between fair value and contractual value was recorded as government assistance and included in grants related to assets (see Note 9).

## 9. Grants related to assets

	AMD ths.	
	2024	2023
Government of the Republic of Armenia	1 710 717	1 851 133
Government of the Kingdom of Denmark	17,980	30,549
	<b>1,728,692</b>	<b>1,881,682</b>

The movement of grants related to assets is presented below:

	AMD ths.	
	2024	2023
Balance as at 01 January	1,881,682	2,026,741
Increase during the year	-	-
Income recognition	(152,990)	(145,059)
Balance as at 31 December	<b>1,728,692</b>	<b>1,881,682</b>

Grant received from Government of the Republic of Armenia represents the difference upon recognition between nominal and fair values of long-term loans from the RA Ministry of Finance (refer to note 8).

## 10. Lease liability

The Fund leases office space in Yerevan, at 22 Gh. Parpetsi Street, Apartment 3. During the current year, the Fund renewed the office space lease agreement for a three-year period.

The future minimum lease payments are reflected below:

	Minimum lease payments	
	2024	2023
<i>(huyurp nnuul)</i>		
During one year		
Lease payments	7,800	7,800
Finance expense	(1,427)	(2,355)
	<b>6,373</b>	<b>5,445</b>

During 2-5 years		
Lease payments	5,850	13,650
Finance expense	(368)	(1,795)
	<u>5,482</u>	<u>11,855</u>
Net present value	<u><b>11,855</b></u>	<u><b>17,300</b></u>

#### 11. Trade and other payables

	<b>2024</b>	AMD ths. <b>2023</b>
Payables to employees	12,907	13,234
Other payables	130	136
	<u><b>13,037</b></u>	<u><b>13,370</b></u>

#### 12. Income from financial assets at amortised cost

	<b>2024</b>	AMD ths. <b>2023</b>
Interest income on loans provided	165,743	110,293
Income from reversal of discount on receivables	4,038	34,437
Income from bank accounts	6,100	7,716
	<u><b>175,881</b></u>	<u><b>152,446</b></u>

#### 13. Net Income / (expense) from financial assets at FVTPL

	<b>2024</b>	AMD ths. <b>2023</b>
Loss from fair value remeasurement	(5)	(48,948)
Accrued dividends	21,222	23,057
	<u><b>21,217</b></u>	<u><b>(25,891)</b></u>

#### 14. General and administrative expenses

	<b>2024</b>	AMD ths. <b>2023</b>
Salaries and other benefits	49,924	47,765
Depreciation and amortization	6,270	7,258
Audit and consulting	3,917	3,916
Repair and maintenance expenses	2,145	2,278
Impairment adjustment	-	64,692
Other administrative expenses	21,299	28,587
	<u><b>83,555</b></u>	<u><b>154,496</b></u>

Other administrative expenses include various expenses to support the financial development of investment objects, such as presenting them at various exhibitions, advertising the products, etc.; the Fund also incurs monitoring and control costs, compensating them for other audit and consulting expenses.

#### 15. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## 15.1 Critical accounting estimates

The Fund makes estimates and assumptions concerning the future. These accounting estimates, as a rule, may not match the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### *Fair value measurement*

When observable market data are not available, management uses valuation techniques to determine the fair value of financial instruments. This process involves making estimates and assumptions that are consistent with how market participants would price the instrument. Management bases its assumptions on observable information, but such information is not always available. In these cases, management uses the best information available. The estimated fair value may differ from the actual prices that would be obtained in an arm's length transaction at the reporting date (see Note 18).

### *Fair value of long term receivables*

Long-term receivables have been measured on initial recognition at fair value. Fair value has been determined by discounting the relevant cash flows using market interest rates for similar instruments, which has been estimated at 12%. Management used judgment in determining the discounting rate. If the future cash flows were discounted at other interest rate, the balance of long-term receivables as of 31 December 2024 and the result of the year might be different.

### *Impairment of financial assets measured at amortized cost*

The Fund's management uses judgment to calculate the impairment of financial assets measured at amortized cost using the expected credit loss model. In measuring expected credit losses, the Fund considers a wide range of information, including past events, current conditions, and reasonable and justified assumptions that have an impact on the expected collectability of the instrument's future cash flows. See Note 17 for more detailed disclosure of the Fund's credit risk.

### *Assessment of deferred tax assets*

In 2023, deferred tax assets that had been mainly arising from the impairment of financial assets and fair value presentation were derecognized. Management believes that the Fund will not have sufficient taxable income for the use of tax assets.

## 15.2 Critical judgments in applying accounting policies

### *Accounting for investments in projects*

The Fund has applied judgments for accounting of investments in projects. As described in note 5, the Fund's investments in the companies vary from 20% to 49%, however they have not been considered as investments in associates, according to IAS 28 *Investments in Associates*, and they have not been accounted for using the equity method; they have been accounted for as financial instruments at amortized cost under loans and receivables instead.

Management believes that the above approach reflects the nature of investments made more accurately, based on the terms of subscription agreements, which are, in particular, contractual right of obtaining minimum income, commitment to sell shares by the end of investment period, right of buy back the shares of other shareholders of investee companies, as well as other agreed conditions.

## 16. Financial instruments

### 16.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3.6.

## 16.2 Categories of financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

<i>Financial assets</i>	<i>AMD ths.</i>	
<i>Financial assets at FVTPL</i>	<b>2024</b>	<b>2023</b>
Investments in projects	553,854	482,142
<i>Financial assets at amortised cost</i>		
Loans provided	895,969	1,065,752
Accounts receivable	232,188	223,773
Bank balances	206,448	144,392
	<b>1,888,459</b>	<b>1,916,059</b>

<i>Financial liabilities</i>	<i>AMD ths.</i>	
<i>Financial liabilities measured at amortized cost:</i>	<b>2024</b>	<b>2023</b>
Long term loans	2,124,271	2,053,190
Lease liability	11,855	17,300
Trade and other payables	13,037	13,370
	<b>2,149,163</b>	<b>2,083,860</b>

## 17. Financial risk management

The Fund is exposed to various risks in relation to financial instruments. The main types of risks are credit risk and liquidity risk. The most significant financial risks to which the Fund may be exposed are described below.

### Financial risk factors

#### a) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations, resulting in financial loss to the Fund. The effect of this risk for the Fund arises from different financial instruments, such as investments in projects, loans provided, accounts receivable, term deposits, etc.

The maximum exposure to credit risk is represented by the carrying amounts of the following financial assets:

<i>Financial assets at carrying amounts</i>	<i>AMD ths.</i>	
	<b>2024</b>	<b>2023</b>
Investments in projects	553,854	482,142
Loans provided	895,969	1,065,752
Accounts receivable	232,188	223,773
Bank balances	206,448	144,392
	<b>1,888,459</b>	<b>1,916,059</b>

Credit risk is managed on a group basis, based on the Fund's credit risk management policy and procedures. The Fund continuously monitors the characteristics of its clients' debt.

The Fund's investments, loans granted and receivables are secured by land, buildings and industrial premises of the borrowers and investee companies.

The fair value of the collateral is 4,046,727 thousand AMD (2023: 4,026,577 thousand AMD)' assessed by an independent appraiser.

The credit risk in terms of cash means is acceptable, since the contractual partners are reputable banks.

### Impairment assessment

At each reporting date, The Bank assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Bank uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses.

The bank considers both quantitative and forward-looking qualitative criteria in order to assess whether a significant increase in credit risk has occurred.

If, at the reporting date, the credit risk on an asset has not changed significantly since initial recognition, the loss allowance for that financial instrument is recognized at an amount equal to 12-month ECLs.

If, at the reporting date, the asset's credit risk has increased significantly since initial recognition or there is an objective evidence that the asset is impaired, the loss allowance for that financial instrument is recognized at the amount equal to lifetime ECLs.

The calculation of credit risk exposure for assets is performed using the following formula:

$ECL = EAD \times PD \times LGD$ , where

EAD is the asset's exposure at risk at default,

PD is the probability of default,

LGD is the loss given default.

### ***Exposure at default (EAD)***

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by type of financial instrument. For financial instruments with contractual terms, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.

### ***Probability of Default (PD)***

The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12mECL), or over the remaining lifetime (LTECLs) of the obligation.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans.

### ***Loss given default (LGD)***

LGD is determined based on the factors which impact the recoveries made post default. These vary by type of financial instrument.

- For secured financial instruments, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured financial instruments, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

The 12-month credit risk exposure and the lifetime credit risk exposure for assets with a significant increase in credit risk since recognition but no objective evidence of impairment are calculated against the gross carrying amount of the assets, and for assets with objective evidence of impairment, against the carrying amount.

The effective interest rate at the time of initial recognition of the asset is used to discount cash flows in calculating the credit risk exposure.

The balances of the Fund's expected credit loss provision for financial instruments measured at amortized cost are presented in Notes 6 and 7.

## **b) Liquidity risk**

Liquidity risk is the risk that the Fund will be unable to meet its obligations.

The Fund runs a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets to repay its operating liabilities when those become due.

The following table details the Fund's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund may be required to pay. The table includes both interest and principal cash flows.

<b>2024</b> (AMD ths.)	Interest free	Fixed interest rate instruments		Total
Weighted average effective interest rate		15.8%	13.3%	
Up to 1 year	13,037	7,800	226,986	247,823
1 to 5 years	-	5,850	1,092,060	1,097,910
Over 5 years	-	-	2,262,294	2,262,294
	<b>13,037</b>	<b>13,650</b>	<b>3,581,340</b>	<b>3,608,027</b>

<b>2023</b> (AMD ths.)	Interest free	Fixed interest rate instruments		Total
Weighted average effective interest rate		15.8%	13.3%	
Up to 1 year	13,370	7,800	169,693	190,863
1 to 5 years	-	13,650	1,529,961	1,543,611
Over 5 years	-	-	3,112,732	3,112,732
	<b>13,370</b>	<b>21,450</b>	<b>4,812,386</b>	<b>4,847,206</b>

The Fund considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources, trade receivables and income from investments and borrowings. The Fund's financial assets significantly exceed the current cash outflow requirements.

## 18. Fair value measurement

The Fund categorizes assets and liabilities measured at fair value after initial recognition from 1 to 3 levels, based on the level of observation of the fair value. These 3 levels are set out below:

- 1<sup>st</sup> level, the fair values are generated from the mentioned prices in the active markets of similar assets or liabilities (non-adjusted),
- 2<sup>nd</sup> level, the fair values are generated from different other initial inputs of the mentioned prices, included in 1<sup>st</sup> level, which are observed from the point of view of the asset or the liability directly (that is as a price), or indirectly (that is generated based on the price).
- 3<sup>rd</sup> level, the fair values are generated through valuation methods, which include initial input on assets and liabilities, which are not based on the observable market inputs (unobservable initial market inputs).

### 18.1 Fair value measurement of financial instruments

#### *Financial instruments measured at amortized cost for which fair value is disclosed*

Fair value of financial assets and financial liabilities reflected in the statement of financial position approximates their carrying amount.

#### *Measurement of fair value of investments*

Fair value of the investment was determined based on an appropriate pricing model, taking into account the investment company's dividend policy and its historical and expected future performance, a growth factor appropriate for a similar entity, as well as a risk-adjusted discount rate. Based on the contractual characteristics of the investment, the fair value was determined by discounting the relevant cash flows at the reporting date at the refinancing rate published by the Central Bank of the Republic of Armenia. In this case, the most significant variable is the discount rate.

#### *Financial instruments measured at amortized cost*

Carrying amounts of the Fund's financial instruments are considered to be reasonable estimates of fair value.

Trade receivables and payables, cash and cash equivalents are liquid or short-term, and therefore the carrying amounts are assumed to approximate their fair value.

The fair value of lease liabilities is estimated by the discounted cash flow method, using the market interest rates that the Fund would have to pay at the reporting date to obtain a loan of similar duration and security to acquire a right-of-use asset of similar value in a similar economic environment. The most significant variable is the discount rate.

The Fund's financial instruments are classified within Level 2 of the fair value hierarchy.

The interest rates used to discount the estimated cash flows are presented below:

	2024	2023
Accounts receivable and loans provided	10%-12%	10%-12%
Investments in projects	9.25%	9.25%
Unsecured loans from the RA Ministry of Finance	13.4%	13.4%

## 19. Contingencies

### 19.1 Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Fund does not have full coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on the Fund's property or relating to the Fund's operations. Until the Fund obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Fund's operations and financial position.

### 19.2 Taxes

The taxation system in Armenia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose severe fines and penalties.

These facts may create tax risks in Armenia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

## 20. Reconciliation of liabilities arising from financing activities

Changes in the Fund's liabilities arising from financing activities can be classified as follows:

<i>AMD ths.</i>	<u>Loans</u>	<u>Lease liabilities</u>	<u>Total</u>
As at 01 January 2023	1,990,235	5,435	1,995,670
From cash flows			
Repayments	(70,915)	(7,800)	(78,715)
Interest paid	(100,016)	-	(100,016)
From non-cash flows			
Accrued interest	-	18,532	18,532
Lease payment accrued	233,886	1,133	235,019
As at 31 December 2023	<u>2,053,190</u>	<u>17,300</u>	<u>2,070,490</u>
From cash flows			
Repayments	(70,915)	(7,800)	(78,715)
Interest paid	(98,867)	-	(98,867)
From non-cash flows			
Fair value adjustment	-	-	-
Accrued interest	240,863	2,355	243,218
As at 31 December 2024	<u>2,124,271</u>	<u>11,855</u>	<u>2,136,126</u>

## 21. Related Parties

The Fund's related parties include its Founder, Board members and key management as described below.

### 21.1 Control relationships

The Fund is supervised by the Ministry of Economy of the Republic of Armenia.

### 21.2 Related party transactions

During the reporting year, the following transactions were carried out between the Fund and its related parties, and the balances as of the reporting date are as follows:

<b>Transactions</b>	<b>2024</b>	<i>AMD ths.</i> <b>2023</b>
<i>Founder</i>		
Finance cost	240,863	233,886
Income from grants	140,421	154,059
<i>Key management</i>		
Salary and bonuses	16,334	16,029
<b>Balances</b>		
<i>Founder</i>		
Loans	2,124,271	2,053,190
Grants related to assets	1,710,712	1,851,133
<i>Key management</i>		
Trade and other payables	1,261	573

## 22. Events after the reporting period

On April 30, 2025, the Fund and the shareholders of Agrolog CJSC signed agreements, based on which 67.65% of the shares of Agrolog CJSC were transferred to the Fund. As a result of this transaction, the Fund became a 100% shareholder of Agrolog CJSC.