Consolidated Financial Statements and Independent Auditor's Report

Center for Agribusiness and Rural Development Foundation

December 31, 2014

Contents

	Page
Independent auditor's report	1
Consolidated statement of financial position	3
Consolidated statement of profit or loss and other comprehensive income	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	8

Grant Thornton

Independent auditor's report

Գրանթ Թորնթոն ՓԲԸ
ՀՀ, ք. Երեւան 0012
Վաղարշյան 8/1
Հ. + 374 10 260 964
Ֆ.+ 374 10 260 961

Grant Thornton CJSC
8/1 Vagharshyan str.
0012 Yerevan, Armenia
T + 374 10 260 964
F + 374 10 260 961
www.grantthornton.am

To the Board of Trustees of Center for Agribusiness and Rural Development Foundation

We have audited the accompanying consolidated financial statements of Center for Agribusiness and Rural Development Foundation and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as of December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Grant Thornton

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Center for Agribusiness and Rural Development Foundation and its subsidiaries as of December 31, 2014, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The prior year comparative consolidated financial statements of Center for Agribusiness and Rural Development Foundation and its subsidiaries as of and for the year ended December 31, 2013 were audited by another auditor, whose report dated March 21, 2014 expressed an unmodified audit opinion on these financial statements. As described in note 31, these financial statements were restated by the management of the Foundation. We have also audited these restatements.

June 15, 2015

Gagik Gyulbudaghyan	Emil Vassilyan, FCCA
Managing Partner	Engagement Partner

Consolidated statement of financial position

In thousand drams	Note	As of December 31, 2014	As of December 31, 2013 (Restated)	As of January 1, 2013 (Restated)
Assets				
Non-current assets				
Property and equipment	4	1,395,853	1,208,127	993,827
Intangible assets		10,715	5,834	7,245
Loans to customers	5	3,822,533	2,034,980	1,409,218
Finance lease receivables	6	29,979	63,303	38,246
Deferred income tax assets	7	19,501	9,029	9,395
Borrowings		1,771	-	-
Prepayments for non-current assets		34,040	-	19,366
		5,314,392	3,321,273	2,477,297
Current assets				
Inventories	8	493,302	338,293	315,425
Trade and other receivables	9	859,204	518,857	532,095
Loans to customers	5	2,187,687	1,760,700	1,338,008
Finance lease receivables	6	42,996	21,650	89,969
Current income tax assets		5,808	-	-
Term deposits	10	227,121	234,747	89,296
Cash and bank balances	11	213,608	154,011	98,244
		4,029,726	3,028,258	2,463,037
Total assets		9,344,118	6,349,531	4,940,334

Consolidated statement of financial position (continued)

In thousand drams	Note	As of December 31, 2014	As of December 31, 2013 (Restated)	As of January 1, 2013 (Restated)
Liabilities and net assets				
Non-current liabilities				
Grants related to assets	12	236,876	150,255	73,154
Loans and borrowings	13	4,645,206	2,557,844	1,699,847
		4,882,082	2,708,099	1,773,001
Current liabilities				
Trade and other payables	14	184,445	139,616	210,327
Deferred income	15	20,032	86,216	80,725
Loans and borrowings	13	1,009,672	527,520	277,502
Current income tax liabilities		19,621	43,853	33,873
		1,233,770	797,205	602,427
Net assets		3,228,266	2,844,227	2,564,906
Total liabilities and net assets		9,344,118	6,349,531	4,940,334

The consolidated financial statements were approved on June 10, 2015 by:

Gagik Sardaryan
Director

Nvard Ananyan
Finance Manager

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 8 to 45.

Consolidated statement of profit or loss and other comprehensive income

In thousand drams	Note	Year ended December 31, 2014	Year ended December 31, 2013 (Restated)
Revenue	16	1,493,255	1,188,384
Cost of sales	17	(1,036,926)	(706,711)
Gross profit		456,329	481,673
Income from grants and contributions	18	1,007,868	746,786
Other income		65,063	67,047
Distribution and marketing expenses		(83,654)	(95,470)
Administrative expenses	19	(1,416,278)	(1,188,155)
Other expenses		(116,541)	(31,552)
Loss from operating activities		(87,213)	(19,671)
Interest income	20	858,688	586,042
Interest expense	20	(340,034)	(194,847)
Other financial items	21	49,137	10,433
Profit before income tax		480,578	381,957
Income tax expense	22	(96,539)	(102,636)
Profit for the year		384,039	279,321
Other comprehensive income		-	-
Total comprehensive income for the year		384,039	279,321

Reconciliation in net assets:

In thousand drams	2014	2013 (Restated)
Balance at the beginning of year	2,844,227	2,564,906
Profit for the year	384,039	279,321
Balance at the end of year	3,228,266	2,844,227

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 8 to 45.

Consolidated statement of cash flows

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013 (Restated)
Cash flows from operating activities		
Profit for the year	384,039	279,321
Adjustments for:		
Depreciation and amortization	138,935	110,345
Loss on disposal of property and equipment	7,810	1,335
Income from grants	(1,007,868)	(746,786)
Income tax expense	96,539	102,636
Interest income	(858,688)	(586,042)
Interest expense	340,034	194,847
Allowance for doubtful loans and receivables, net	68,353	(5,076)
Foreign exchange gain	(49,137)	(10,433)
Operating loss before working capital changes	(879,983)	(659,853)
Change in advances and receivables	(308,371)	13,238
Change in inventories	(155,009)	(22,868)
Loans to customers	(2,281,989)	(1,044,037)
Borrowings provided	(1,771)	-
Finance lease redemption	11,603	43,262
Change in payables	39,050	(70,711)
Cash used in operating activities	(3,576,470)	(1,740,969)
Contributions received	1,096,644	829,378
Contributions returned	(68,339)	-
Interest paid	(298,834)	(184,710)
Income tax paid	(137,051)	(92,290)
Net cash used in operating activities	(2,984,050)	(1,188,591)

Consolidated statement of cash flows (continued)

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013 (Restated)
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	(373,392)	(301,368)
Interest received	825,938	574,259
Deposits recovered	105,897	78,328
Net cash from investing activities	558,443	351,219
Cash flows from financing activities		
Borrowings received, net	2,528,314	1,097,878
Net cash received for financing activities	2,528,314	1,097,878
Net decrease in cash and cash equivalents	102,707	260,506
Foreign exchange effect on cash	22,036	-
Cash and cash equivalents at the beginning of the year	154,011	98,244
Cash and cash equivalents at the end of the year (refer to note 29)	278,754	358,750

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 8 to 45.

Notes to the consolidated financial statements

1 Nature of operations and general information

The consolidated financial statements have been prepared for the year ended December 31, 2014 for the Center for Agribusiness and Rural Development Foundation (the "CARD Foundation") and its subsidiaries (together referred to as the "Group").

The CARD Foundation is an agricultural economic development organization established on September 15, 2004 as a resident Armenian Foundation. The management body of the CARD Foundation is the Board of Trustees comprised of independent representatives from a private sector, international and local public organizations, educational institutions and rural community representatives. The CARD Foundation operates through five departments, which are: Food Safety, Agribusiness and Marketing, Rural Development, Finance and Administrative Management.

The CARD Foundation's mission is to assist farmers and agribusinesses in the production and marketing of food and related products to increase incomes and create jobs leading to sustainable livelihoods for rural populations that significantly impacts poverty reduction. It offers a complete, integrated package of agricultural development services that are market driven and benefit farmers and other players of the market chain in developing their capacities, reducing costs and increasing efficiency.

The CARD Foundation's principal activity relates to agriculture and food industry. The CARD Foundation implements development projects financed by different donor organizations. The significant donor of the CARD Foundation is the United States Department of Agriculture (the "USDA").

As of December 31, 2014 the CARD Foundation's immediate subsidiary is AgroVision B.V. domiciled in the Netherlands, which is the 100% owner of CARD AgroService CJSC (the "CARD Service") and CARD AgroCredit Universal Credit Organisation CJSC (the "CARD Credit").

The CARD Service is a closed joint stock company and was incorporated and is domiciled in the Republic of Armenia on February 6, 2006. The CARD Service is involved in importing and sales of agricultural machinery and equipment, food products and agricultural and food processing input supplies. In addition, the CARD Service provides consulting services mainly in the area related to agricultural production, processing technologies, management and marketing.

The CARD Credit is a closed joint-stock company, which was incorporated in the Republic of Armenia in 2008. The CARD Credit is regulated by the legislation of the Republic of Armenia and conducts its business under license number 23, granted on June 27, 2008 by the Central Bank of Armenia (the "CBA"). The principal activity of the CARD Credit is lending. The CARD Credit provides a comprehensive package of financial services throughout the entire chain of agricultural

production, processing and marketing, including operational and business development loans, farm development and seasonal loans to food processing enterprises, rural small and medium entities and private farmers.

The registered office of the CARD Foundation is located at 1/21, 40 Azatutyan Street, Yerevan 0037, Republic of Armenia.

In 2014 the average number of employees of the Group was 127 (2013: 116).

2 Basis of preparation

2.1 Statement of compliance

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

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

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

The national currency of Armenia is the Armenian dram ("dram"), which is the Group's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Group.

These consolidated financial statements are presented in Armenian drams, since management believes that this currency is more useful for the users of these consolidated 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 consolidated financial statements in conformity with IFRS requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the note 23 to the consolidated financial statements.

2.5 Adoption of new and revised standards

In the current year the Group has adopted all of 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 January 1, 2014.

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

At the date of authorization of these consolidated 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 Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 9 *Financial Instruments* (2014)

The IASB recently released IFRS 9 *Financial Instruments* (2014), representing the completion of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Group's management have yet to assess the impact of this new standard on the Group's consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27 *Separate Financial Statements*: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS.

The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Annual Improvements 2010-2012

The Annual Improvements 2010-2012 made several minor amendments to a number of IFRSs. The amendments relevant to the Group are summarized below:

IFRS 3 *Business Combinations*

Accounting for contingent consideration in a business combination

- clarifies that the classification of contingent consideration in a business combination as either a financial liability or an equity instrument is based solely on the requirements of IAS 32 *Financial Instruments: Presentation*

- states that the subsequent measurement of contingent consideration in a business combination should be measured at fair value at each reporting date and changes in fair value should be recognized in profit or loss, regardless of whether it is a financial instrument or a non-financial instrument.

IFRS 13 *Fair Value Measurement*

Short-term receivables and payables

- amends the Basis for Conclusions to clarify that an entity is not required to discount short-term receivables and payables without a stated interest rate below their invoice amount when the effect of discounting is immaterial.

IAS 24 *Related Party Disclosures*

Key management personnel

- amends the definition of a "related party" in order to include "management entities" that provide key management personnel services to the reporting entity

- requires the disclosure of the amounts recognized by the reporting entity as a service fee to a separate management entity for the provision of the key management personnel services

- provides a relief so that the reporting entity is not required to disclose components of the compensation to key management personnel where the compensation is paid via a management entity.

Annual Improvements 2011-2013

The Annual Improvements 2011-2013 made several minor amendments to a number of IFRSs. The amendments relevant to the Group are summarized below:

IFRS 3 *Business Combinations*

Scope exceptions for joint ventures

- amends IFRS 3 to exclude from its scope the accounting for the formation of all types of joint arrangements as defined in IFRS 11 *Joint Arrangements*

- clarifies that the above mentioned scope exclusion only addresses the accounting in the financial statements of the joint arrangement itself, and not the accounting by the parties to the joint arrangement for their interests in the joint arrangement.

The Annual Improvement 2011-2013 noted above is effective for annual periods beginning on or after July 1, 2014. Management does not anticipate a material impact on the Group's consolidated financial statements from this Amendment.

Annual Improvements 2012-2014

The Annual Improvements 2012-2014 made several minor amendments to a number of IFRSs. The amendments relevant to the Group are summarized below:

IFRS 7 *Financial Instruments: Disclosures*

The amendments provide additional guidance to help entities identify the circumstances under which a servicing contract is considered to be "continuing involvement" for the purposes of applying the disclosure requirements in paragraphs 42E-42H of IFRS 7. Such circumstances commonly arise when, for example, the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset or when a fixed fee is not paid in full due to non-performance of that asset.

IFRS 7 *Financial Instruments: Disclosures*

These amendments clarify that the additional disclosure required by the recent amendments to IFRS 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with IAS 34 *Interim Financial Reporting* when its inclusion would be necessary in order to meet the general principles of IAS 34.

The Annual Improvements 2012-2014 noted above are effective for annual periods beginning on or after July 1, 2016. Management does not anticipate a material impact on the Group's consolidated financial statements from these Amendments.

2.6 Subsidiaries

The consolidated financial statements include the following subsidiaries:

December 31, 2014 Subsidiary	Ownership/ Voting rights %	Country	Industry
Subsidiary of CARD Foundation			
AgroVision B.V.	100%	The Netherlands	Management organization
Subsidiaries of AgroVision B.V.			
CARD AgroService CJSC	100%	Republic of Armenia	Agriculture
CARD AgroCredit UCO CJSC	100%	Republic of Armenia	Financial services

2.7 Restatement of financial statements

The financial statements including the comparative information for prior periods are presented as if the correction had been made in the period in which such a necessity arose. Therefore, the amount of the correction that relates to each period presented is included in the financial statements of that period. The amount of the correction in the comparative financial statements of prior periods is made in the earliest period presented. However, the correction did not have any impact on the financial results of the prior periods (refer to note 31).

3 Significant accounting policies

3.1 Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises, which are controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when control effectively commences until the date that control effectively ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The excess of purchase consideration over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost of acquisition is less than the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary acquired the difference is recognized directly in the result for the year.

Non-controlling interest is the interest in subsidiaries not held by the Group. Non-controlling interest at the reporting date represents the non-controlling shareholders' share in the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date and the minorities' share in movements in equity since the acquisition date. Non-controlling interest is presented within equity.

Losses allocated to holders of non-controlling interest do not exceed the non-controlling interest in the equity of the subsidiary unless there is a binding obligation of the holders of non-controlling interests to fund the losses. All such losses are allocated to the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in presenting the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate.

3.2 Foreign currencies

Foreign currency transactions

In preparing the consolidated 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 474.97 drams for 1 US dollar and 577.47 drams for 1 euro as of December 31, 2014 (December 31, 2013: 405.64 drams for 1 US dollar, 559.54 drams for 1 euro).

Exchange differences arising on the settlement and retranslation of monetary items, are included in the result for the period.

3.3 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.

Properties in the course of construction for production, rental or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes directly attributable expenditures, site preparation, installation and assembly costs, professional fees.

The gain or loss arising on the 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.

Land and construction in progress are not depreciated. Depreciation on other items is charged to the consolidated statement of profit or loss and other comprehensive income for the year 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:

Buildings and constructions	-	20 years
Machinery and equipment	-	5 years
Transportation means	-	5 years
Fixtures and fittings	-	5 years
Other	-	5 years.

3.4 Intangible assets

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

Amortization is charged to the result for the year on a straight line basis over the estimated useful lives of the intangible assets, which is estimated at 10 years for computer software.

3.5 Leased assets

Finance lease – Group as lessor

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. The arrangement is presented within loans and advances. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

When the Group takes possession of the collateral under terminated lease contracts, it measures the assets at the lower of net realisable value and amortised historical cost of the inventory.

Operating lease - Group as lessee
Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included in other operating expenses.

3.6 Inventories
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 costs of completion and selling expenses. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.7 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets other than hedging instruments are divided into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss
- available-for-sale financial assets
- held-to-maturity investments.

Financial assets are assigned to different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses are recognized in the consolidated statement of profit or loss and other comprehensive income or directly in other comprehensive income. Refer to note 24.2 for a summary of the Group's financial assets by category.

Generally, the Group recognizes all financial assets using settlement date accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expenses relating to financial assets that are recognised in the consolidated statement of profit or loss and other comprehensive income are presented within interest expense, interest income or

other financial items, except for impairment of trade receivables which is presented within other expenses.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include trade and other receivables as well as cash and bank balances.

Loans to customers

Loans granted by the Group with fixed maturities are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the statement of profit or loss and other comprehensive income as losses on origination of assets. Subsequently, the loan carrying value is measured using the effective interest method. Loans to customers that do not have fixed maturities are accounted for under the effective interest method based on expected maturity. Loans to customers are carried net of any allowance for impairment losses.

Trade and other receivables

Current accounts receivable are initially recognized at fair value. Subsequently they are measured at amortized cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default and delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The balance of the allowance is adjusted by recording a charge or income to the result of the reporting period. Any amount written-off with respect to customer account balances is charged against the existing allowance for doubtful accounts. All accounts receivable for which collection is not considered probable are written-off.

Grants expected from donors are stated as receivables, when as of the reporting date there is reasonable assurance that they will be received. In the financial statements they are stated as contributions receivables (included in trade and other receivables).

Cash and bank balances

The Group's cash and bank balances comprise cash in hand, bank accounts and cash in transit

ii. Held-to-maturity investments

Held-to-maturity investments (deposits) are non-derivative financial assets with fixed or determinable payments and fixed maturity and include deposits at commercial banks. Investments

are classified as held-to-maturity if it is the intention of the Group's management to hold them until maturity.

Deposits are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the deposit has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the deposit are recognized in the result.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include loans and borrowings and trade and other payables. A summary of the Group's financial liabilities by category is given in note 24.2.

i. Loans and borrowings

Loans and borrowings are recognized initially at fair value, net of issuance costs associated with the borrowing. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value recognized in the result for the year over the period of the borrowings on an effective interest basis. Interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance expenses, except for the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalized as part of that asset.

ii. Trade and other payables

Trade and other payables are stated at fair value and subsequently stated at amortized cost.

3.8 Impairment

Impairment of property and equipment and intangible assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment loss is treated as a revaluation increase.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the result, to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

3.9 Grants

Grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and 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 the consolidated statement of profit or loss and other comprehensive income on a systematic and rational basis over the useful lives of the related assets.

Grants received unconditionally from the donors as a financial support or as a compensation for expenses and losses already incurred, are recognized in the consolidated statement of profit or loss and other comprehensive income, when they become receivable.

All grant income is recognized in the statement of financial position as deferred income when it becomes receivable, which is the date when the Group has entered into legally binding commitments. Deferred income is transferred to the consolidated statement of profit or loss and other comprehensive income in line with the realization of the grant commitments. However, if the amount of deferred income turns out to be more than is required by the Group to meet its commitments, the surplus amount is deducted from the balance of the deferred income and the respective receivables from donors. The amount of this adjustment is not reflected in the consolidated statement of profit or loss and other comprehensive income.

3.10 Provisions

A provision is recognized in the statement of financial position when the Group 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.

3.11 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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable results against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

As a result of changes in the tax legislation of the Republic of Armenia, significant changes have been made to the principles of calculation of depreciation and amortization of the fixed assets and intangible assets. The annual amount of depreciation and amortization of fixed assets and intangible

assets acquired after January 1, 2014 is calculated for groups of non-current assets - multiplying the carrying (residual) value of the assets in the group at the end of the reporting period and the annual amortization rate stated for that group of assets.

3.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and rebates allowed by the Group.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Goods are sold through wholesale, retail sales and through agents. Revenue from the sale of goods is mainly derived from the sale of agricultural goods and machinery.

Wholesale trade and sale through agents

Revenue is recognized when the goods are dispatched from the warehouse and the relevant invoice is issued.

Retail trade

Revenue from retail sale of goods is recognized at the moment of sale transaction.

Rendering of services

Revenue from rendering of services is recognized in the accounting period when factually provided services are accepted by the customer with revenue to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Income from grants and contributions

Income recognition policy is presented in note 3.9

Interest income

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within "interest income" in the consolidated statement of profit or loss and other comprehensive income using the effective interest method.

Fee and commission income

Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognised as an adjustment to the effective yield of the loans. Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Portfolio and other management advisory and service fees are recorded based on the applicable service contracts. Asset management fees related to investment funds are recorded over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Net trading income

Net trading income includes gains less losses from trading in foreign currencies and is recognized in the consolidated statement of profit or loss when the corresponding service is provided.

4 Property and equipment

In thousand drams

	Land, buildings and constructions	Machinery and equipment	Transportation means	Fixtures, fittings and other	Construction in progress	Total
Cost						
As of January 1, 2013	859,126	125,865	151,319	79,293	78,817	1,294,420
Additions	30,770	30,930	36,396	11,889	215,995	325,980
Disposal	-	(6,348)	-	(1,418)	-	(7,766)
Internal movement	104,218	-	-	-	(104,218)	-
as of December 31, 2013	994,114	150,447	187,715	89,764	190,594	1,612,634
Additions	7,476	51,681	68,414	57,926	146,476	331,973
Disposal	-	(21,522)	(10,790)	(1,956)	-	(34,268)
Internal movement	116,594	-	-	-	(116,594)	-
as of December 31, 2014	1,118,184	180,606	245,339	145,734	220,476	1,910,339
Accumulated depreciation						
as of January 1, 2013	108,737	79,922	76,917	35,017	-	300,593
Charge for the year	51,158	20,661	24,601	13,925	-	110,345
Eliminated on disposal	-	(5,495)	-	(936)	-	(6,431)
as of December 31, 2013	159,895	95,088	101,518	48,006	-	404,507
Charge for the year	60,429	27,293	33,395	15,320	-	136,437
Eliminated on disposal	-	(17,664)	(7,025)	(1,769)	-	(26,458)
as of December 31, 2014	220,324	104,717	127,888	61,557	-	514,486
Carrying amount						
as of December 31, 2013	834,219	55,359	86,197	41,758	190,594	1,208,127
as of December 31, 2014	897,860	75,889	117,451	84,177	220,476	1,395,853

None of the Group's property and equipment have been pledged as a security as of the reporting date.

As of December 31, 2014 the cost of fully depreciated property and equipment amounts to drams 123,690 thousand (as of December 31, 2013: drams 121,664 thousand).

Depreciation expense has been allocated as follows:

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Administrative expenses	121,914	107,807
Distribution and marketing expenses	14,523	8,011
	136,437	115,818

5 Loans to customers

In thousand drams	As of December 31, 2014	As of December 31, 2013
Individuals	4,306,994	2,724,117
Privately held companies	981,444	808,052
Sole proprietors	898,786	372,278
	6,187,224	3,904,447
Less allowance for loan impairment	(177,004)	(108,767)
	6,010,220	3,795,680

Movement of the allowance for loan impairment is presented below:

In thousand drams	Individuals	Privately held companies	Sole proprietors	Total
as of January 1, 2014	90,105	12,471	6,191	108,767
Charge for the year (included in other expenses)	45,820	4,344	16,078	66,242
Recoveries	1,143	-	852	1,995
as of December 31, 2014	137,068	16,815	23,121	177,004
Individual impairment	61,123	-	6,341	67,464
Collective impairment	75,945	16,815	16,780	109,540
	137,068	16,815	23,121	177,004
Gross amount of loans individually determined to be impaired, before deducting any individually assessed impairment allowance	61,123	-	6,341	67,464

In thousand drams	Individuals	Privately held companies	Sole proprietors	Total
as of January 1, 2013	85,130	7,043	21,011	113,184
Charge/(reversal) for the year (included in other expenses and other income)	4,975	5,428	(8,605)	1,798
Amounts written off	-	-	(6,215)	(6,215)
as of December 31, 2013	90,105	12,471	6,191	108,767
Individual impairment	47,511	-	-	47,511
Collective impairment	42,594	12,471	6,191	61,256
	90,105	12,471	6,191	108,767
Gross amount of loans individually determined to be impaired, before deducting any individually assessed impairment allowance	47,511	-	-	47,511

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment into areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Group determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

Allocation of the net loans to customers between non-current and current is presented below:

In thousand drams	As of December 31, 2014	As of December 31, 2013
Non-current		
Individuals	2,398,499	1,304,752
Privately held companies	656,990	492,912
Sole proprietors	767,044	237,316
	3,822,533	2,034,980
Current		
Individuals	1,771,427	1,335,858
Privately held companies	307,639	298,614
Sole proprietors	108,621	126,228
	2,187,687	1,760,700
	6,010,220	3,795,680

Loans to customers by economic sectors as follows:

In thousand drams	As of December 31, 2014	As of December 31, 2013
Fruit and vegetable production	3,273,699	1,697,292
Milk production	973,056	96,075
Trade and commerce	559,201	-
Milk processing	522,243	345,964
Meat production	253,782	964,834
Fish production	101,815	-
Wine and brandy production	72,064	60,060
Other	431,364	740,222
Less allowance for loan impairment	(177,004)	(108,767)
	6,010,220	3,795,680

Loans to customers neither past due or impaired

The table below shows the credit quality by class of asset for loans neither past due or impaired, based on the historical counterparty default rates.

In thousand drams	2014	2013
Fish production	2%	-
Fruit and vegetable production	1.8%	1.6%
Milk production	1.8%	1.4%
Milk processing	1.6%	1.4%
Meat production	1.6%	1.8%
Construction of cooling facilities	-	1.8%
Trade and commerce	2%	-
Wine and brandy production	1.6%	1.4%
Other	1.7%	1.6%

Past due but not impaired loans

Past due loans include those that are only past due by a few days. The majority of the past due loans are not considered to be impaired. Analysis of past due loans by age and by class is provided below.

2014

In thousand drams	Less than 30 days	31 to 60 days	More than 91 days	Total
Loans to customers				
Loans to individuals	36,224	47,369	16,482	100,075
Loans to legal entities	-	1,605	-	1,605
	36,224	48,974	16,482	101,680

2013

In thousand drams	Less than 30 days	31 to 60 days	More than 91 days	Total
Loans to customers				
Loans to individuals	8,674	13,159	8,073	29,906
Loans to individuals - entrepreneurs	3,608	3,015		6,623
	12,282	16,174	8,073	36,529

The analysis of gross loan portfolio by collateral is represented as follows:

In thousand drams	As of December 31, 2014	As of December 31, 2013
Loans collateralized by real estate	3,743,650	2,266,573
Loans collateralized by items of property and equipment	294,847	5,414
Unsecured loans/guarantees	2,148,727	1,632,460
Total loans to customers (gross)	6,187,224	3,904,447

The amounts presented in the table above are carrying values of the loans, and do not necessarily represent the fair value of the collaterals. Estimates of market values of collaterals are based on valuation of the collateral at the date when loans were provided. Generally they are not updated unless loans are assessed as individually impaired.

Refer to note 25 for the currencies in which the loans to customers are denominated.

6 Finance lease receivables

In thousand drams	As of December 31, 2014	As of December 31, 2013
Individuals	34,822	29,859
Privately held companies	38,153	53,971
Sole proprietors	-	1,123
	72,975	84,953

The finance lease receivables may be analyzed as follows:

In thousand drams	Minimum lease payments	
	As of December 31, 2014	As of December 31, 2013
Within one year		
Finance lease receivables	42,318	21,442
Unearned finance income	678	208
	42,996	21,650
In second to fifth years inclusive		
Finance lease receivables	29,461	61,940
Unearned finance income	518	1,363
	29,979	63,303
Net present value	72,975	84,953

Finance lease receivables by economic sectors are as follows:

In thousand drams	As of December 31, 2014	As of December 31, 2013
Fruits and vegetables	23,792	26,597
Wine production	23,392	33,184
Milk processing	14,761	20,636
Milk production	11,030	4,068
Meat production	-	468
	72,975	84,953

Finance lease receivables are not secured by collateral.

7 Deferred income taxes

The movement of deferred income taxes is disclosed below:

In thousand drams	2014	2013
Balance at the beginning of year	9,029	9,395
Credited/(charged) to consolidated statement of profit or loss and other comprehensive income (refer to note 22)	10,472	(366)
Balance at the end of year	19,501	9,029

Deferred income taxes for the year ended December 31, 2014 can be summarized as follows:

In thousand drams	January 1, 2014	Recognized in consolidated statement of activities	December 31, 2014
Deferred income tax assets			
Inventories	280	23	303
Trade and other payables	5,095	2,202	7,297
Loans to customers	3,941	8,773	12,714
Net position – deferred income tax assets	9,316	10,998	20,314
Deferred income tax liabilities			
Term deposits	67	387	454
Trade and other receivables	220	(20)	200
Trade payables	-	159	159
	287	526	813
Net position – deferred income tax assets	9,029	10,472	19,501

Deferred income taxes for the year ended December 31, 2013 can be summarized as follows:

In thousand drams	January 1, 2013	Recognized in consolidated statement of activities	December 31, 2013
Deferred income tax assets			
Inventories	413	(133)	280
Trade and other payables	3,605	1,490	5,095
Loans to customers	5,377	(1,436)	3,941
Net position – deferred income tax assets	9,395	(79)	9,316
Deferred income tax liabilities			
Term deposits	-	67	67
Trade and other receivables	-	220	220
	-	287	287
Net position – deferred income tax assets	9,395	(366)	9,029

8 Inventories

In thousand drams	As of December 31, 2014	As of December 31, 2013
Goods for resale	449,497	262,987
Goods to be provided in the scope of granting agreements	19,487	51,122
Raw materials	24,074	23,257
Spare parts	244	927
	493,302	338,293

The cost of inventories recognized as an expense during the year is drams 996,094 thousand (2013: drams 790,914 thousand), which includes drams 6,959 thousand (2013: drams 18,077 thousand) in respect of write-downs of inventory to net realizable value and has been reduced by drams 4,613 thousand (2013: nil) in respect of the reversal of such write-downs.

Inventories of drams 10,827 thousand represent spare parts, which have no movement during 2014, but have not been impaired since it is expected that those spare parts will be recovered after more than twelve months (2013: nil).

As of December 31, 2014 and December 31, 2013 the Group's inventories have been pledged as a security for bank loan and overdraft (refer to note 13).

9 Trade and other receivables

In thousand drams	As of December 31, 2014	As of December 31, 2013
Trade receivables	418,502	228,521
Allowances for doubtful trade receivables	(1,515)	(1,399)
Net trade receivables	416,987	227,122
Contributions receivables	320,119	125,272
Advances and prepayments	119,227	157,638
Receivables from the State budget	2,024	1,880
Other	847	6,945
	859,204	518,857

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The average credit period on sales of goods and services is 102 days (2013: 70 days). No interest is charged on the trade receivables. The Group has provided fully for all receivables over 365 days because historical experience is that receivables that are past due beyond 365 days are generally not recoverable.

The contributions receivables are disclosed below:

In thousand drams	As of December 31, 2014	As of December 31, 2013
United States Department of Agriculture (USDA)	294,010	118,988
Austrian Development Agency	22,552	-
World Wildlife Fund (WWF)	3,550	-
Helvetas Swiss Intercooperation	7	6,284
	320,119	125,272

Management believes that the receivables from the State budget are fully recoverable.

Movement of the allowance for doubtful receivables is presented below:

	2014	2013
Balance at the beginning of year	1,399	2,058
Reversal of the allowance (included in other income)	-	(659)
Increase in allowance (included in other expenses)	116	-
Balance at the end of year	1,515	1,399

In determining the recoverability of a trade receivable the Group considers any change in the repayment pattern from the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer range being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Refer to note 24 for the currencies in which the trade and other receivables are denominated.

10 Term deposits

As of December 31, 2014 the amounts of deposits to financial institutions were due from two commercial banks, which represent significant concentration (2013: one bank).

As of December 31, 2014 deposits in the amount of drams 100,000 thousand were pledged as collateral for loans received from banks.

11 Cash and bank balances

In thousand drams	As of December 31, 2014	As of December 31, 2013
Cash in hand	466	18,937
Bank accounts	213,142	135,074
	213,608	154,011

12 Grants related to assets

In thousand drams	2014	2013 (Restated)
Balance at beginning of year	150,255	73,154
Additions (refer to note 15)	106,075	91,591
Realized to income (refer to note 18)	(19,454)	(14,490)
Balance at end of year	236,876	150,255

13 Loans and borrowings

In thousand drams	Current		Non-current	
	As of December 31, 2014	As of December 31, 2013	As of December 31, 2014	As of December 31, 2013
Bank loans	40,475	90,505	-	50,000
Borrowings from international financial institutions	611,856	316,162	4,545,206	2,417,844
Other borrowings	200,936	120,853	100,000	90,000
Bank overdrafts	156,405	-	-	-
	1,009,672	527,520	4,645,206	2,557,844

Loans from financial institutions have variable and fixed interest rates.

As at 31 December 2014 the weighted average effective interest rate on amounts due to financial institutions was 7.89% for borrowings in Armenian dram (2013: 7.9%) and 4.07% for borrowings in US dollar (2013: from 4.07%).

The Group has not had any defaults of principal, interest or other breaches with respect to its liabilities during the reporting periods.

14 Trade and other payables

In thousand drams	As of December 31, 2014	As of December 31, 2013
Trade payables	84,530	40,670
Advances received	36,349	17,157
Payables to employees	32,429	27,479
Taxes and duties payable	10,732	31,352
Other	20,405	22,958
	184,445	139,616

The average credit period on purchase of certain goods is 30 days (2013: 21 days). No interest is charged on the trade payables. The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe.

15 Deferred income

In thousand drams	2014	2013
Balance at the beginning of year	86,216	80,725
Additions	1,096,644	829,378
Amount returned	(68,339)	-
Transferred to grants related to assets (refer to note 12)	(106,075)	(91,591)
Grants recognized as income (refer to note 18)	(988,414)	(732,296)
Balance at the end of year	20,032	86,216

Additions by sources are presented below:

In thousand drams	2014	2013
Austrian Development Agency	21,970	-
CARE International	29,954	29,829
Helvetas Swiss Intercooperation	80,135	163,764
NUFFIC	2,291	-
SDC	107,446	-
USAID	134,680	9,953
USDA	692,162	625,832
World Wide Fund for Nature Armenian Branch	28,006	-
	1,096,644	829,378

16 Revenue

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Sale of goods	1,097,479	738,831
Services provided	395,776	449,553
	1,493,255	1,188,384

17 Cost of sales

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Cost of goods sold	828,729	534,915
Cost of services provided	208,197	171,796
	1,036,926	706,711

18 Income from grants and contributions

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Income from deferred income (refer to note 15)	988,414	732,296
Income from grants related to assets (refer to note 12)	19,454	14,490
	1,007,868	746,786

19 Administrative expenses

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Employee benefits	746,775	515,881
Materials used	106,064	72,432
Representation expenses and business trips	48,325	58,433
Depreciation and amortization	124,412	109,585
Projects expenses financed by grants	184,086	261,657
Professional services	46,107	52,495
Training expenses	12,142	7,414
Bank and insurance charges	20,950	14,078
Repair and maintenance expenses	36,751	17,705
Other	90,666	78,475
	1,416,278	1,188,155

20 Interest income and expense

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Interest expenses on bank loans	(9,941)	(4,807)
Interest expenses on borrowings	(330,093)	(190,040)
Total interest expense	(340,034)	(194,847)
Interest income on deposit	33,125	19,040
Interest income on loans and advances to customers	812,675	552,388
Interest income on finance lease	12,888	14,614
Total interest income	858,688	586,042
Net interest income	518,654	391,195

21 Other financial items

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Gain from exchange differences		
Loans and receivables	54,916	6,780
Financial liabilities at amortized cost	(5,779)	3,653
	49,137	10,433

22 Income tax expense

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Current tax	107,011	102,270
Deferred tax (refer to note 7)	(10,472)	366
	96,539	102,636

Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended December 31, 2014	Effective tax rate (%)	Year ended December 31, 2013	Effective tax rate (%)
Profit before taxation (under IFRS)	480,578		373,469	
Tax calculated at a tax rate of 20% (2013: 20%)	96,116	20.0	74,694	20.0
(Non-taxable)/non-deductible items, net	423	0.1	27,942	7.5
Income tax expense	96,539	20.09	102,636	27.5

23 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.

23.1 Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related 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.

Useful lives of property and equipment

The estimation of the useful lives of items of property and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied

in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered:

- expected usage of the assets;
- expected physical wear and tear, which depends on operational factors and maintenance programme;
- technical or commercial obsolescence arising from changes in market conditions.

If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

Grants recognition

As disclosed in note 3.9, grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. For each grant agreement management estimates the probability that it will satisfy the conditions attached to the grant, and that the grant will be received. In doing so, management relies on the previous experience with the donor, as well as the capabilities of the Group to completely implement the grant. If management estimates that the Group will be able to satisfy the conditions attached to the grant, and that the donor is ready to completely transfer the grant amounts, such grants are immediately recognized in the financial statements (as contributions receivable and deferred income), when the respective grant agreement is signed. However, if the management is mistaken in its estimates, the financial statements may be adjusted, and those adjustments may be significant to the financial statements of the Group.

Related party transactions

In the normal course of business the Group enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Impairment of loans and receivables

The Group reviews its problem loans and advances at each reporting date to assess whether there are objective criteria for impairment. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

24 Financial instruments

24.1 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 recognized, in respect of each class of financial asset and financial liability are disclosed in note 3.7.

24.2 Categories of financial instruments

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

Financial assets

In thousand drams	As of December 31, 2014	As of December 31, 2013
Held-to-maturity investments:		
Term deposits	227,121	234,747
Loans and receivables		
Trade and other receivable	737,953	359,339
Loans to customers	6,010,220	3,795,680
Finance lease receivables	72,975	84,953
Cash and bank balances	213,608	154,011
	7,261,877	4,628,730

Financial liabilities

In thousand drams	As of December 31, 2014	As of December 31, 2013
Financial liabilities measured at amortized costs:		
Loans and borrowings	5,654,878	3,085,364
Trade and other payables	137,364	91,107
	5,792,242	3,176,471

25 Financial risk management

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

Financial risk factors

a) Market risk

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from both its operating and investing activities.

Foreign currency risk

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into Armenian drams at the closing rate:

Item
In thousand drams

As of December 31, 2014	US dollar	Euro
Financial assets		
Held-to maturity investments		
Term deposits	14,176	-
Loans and receivables		
Trade and other receivable	503,260	22,552
Loans to customers	554,516	-
Finance lease receivables	-	-
Cash and bank balances	131,077	2,159
	1,203,029	24,711
Financial liabilities		
Loans and borrowings	572,173	-
Trade and other payables	2,533	56,927
	574,706	56,927
Net position	628,323	(32,216)

Item
In thousand drams

As of December 31, 2013	US dollar	Euro
Financial assets		
Held-to maturity investments		
Term deposits	177,627	24,599
Loans and receivables		
Trade and other receivable	194,218	32,933
Loans to customers	150,193	-
Finance lease receivables		
Cash and bank balances	28	22,409
	522,066	79,941
Financial liabilities		
Loans and borrowings	152,917	-
Trade and other payables	201	24,050
	153,118	24,050
Net position	368,948	55,891

The following table details the Group's sensitivity to a 10% (2013: 7%) increase and decrease in dram against US dollar and Euro. 10% (2013: 7%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2013: 7%) change in foreign currency rates.

If Armenian dram had strengthened/(weakened) against US dollar and Euro by 10% (2013: 7%) then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2014	2013	2014	2013
Profit/(loss)	62,832	25,826	(3,222)	3,912

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The effect of this risk for the Group arises from different financial instruments, such as accounts receivable, term deposits, held-to-maturity investments, amounts due from financial institutions, etc. The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

In thousand drams	As of December 31, 2014	As of December 31, 2013
Financial assets at carrying amounts		
Term deposits	227,121	234,747
Trade and other receivable	737,953	359,339
Loans to customers	6,010,220	3,795,680
Finance lease receivables	72,975	84,953
Cash and bank balances	213,608	154,011
	7,261,877	4,628,730

At the reporting date there was no significant concentration of credit risk in respect of trade and other receivables. The major portion of the credit risk arises from the Group's loans to customers. For risk reporting purposes the Group considers and consolidates all elements of credit risk exposure show as individual customer and counterpart, default risk and industry risk.

Group has made provisions of drams 1,515 thousand as of December 31, 2014 (December 31, 2013: drams 1,399 thousand) for overdue receivables and drams 177,004 thousand as of December 31, 2014 (December 31, 2013: drams 108,767 thousand) for loans to customers.

The credit risk for cash and bank balances, term deposits is considered negligible, since the counterparties are reputable banks.

Risk concentrations

Geographical sectors

As of December 31, 2014 and as of December 31, 2013 credit risk assets are located in the Republic of Armenia.

Industry sectors

At December 31, 2014 and 2013 the Group's risk assets included in cash and cash equivalents and amounts due from financial institutions are centralised in financial sector. Loans to customers and finance lease receivables are centralised mainly in the agricultural sector (see detailed analysis in notes 5 and 6).

Risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

The exposure to any one borrower including banks and financial organizations is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored regularly.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and finance leases are:

- Mortgages over residential properties;
- Equipment and vehicles.

Longer-term finance and lending to corporate entities are generally secured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

c) Liquidity risk

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

The Group's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related payments when those become due.

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

2014	Non-interest rate instruments	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)			
Less than 6 months	164,606	224,840	389,446
6 months to 1 year	5,454	752,136	757,590
1-5 years	-	4,645,206	4,645,206
	170,060	5,622,182	5,792,242

2013	Non-interest rate instruments	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)			
Less than 6 months	97,230	344,481	441,711
6 months to 1 year	27,232	410,754	437,986
1-5 years	-	2,296,774	2,296,774
	124,462	3,052,009	3,176,471

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources and loans to customers and other receivables.

26 Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern and provide adequate return to stakeholders.

The capital structure of the Group consists of net assets comprising issued capital, reserves and accumulated result and debt, which includes loans disclosed in note 13.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amounts managed as capital by the Group for the reporting periods under review are summarized as follows:

In thousand drams	As of December 31, 2014	As of December 31, 2013
Total equity (net assets)	3,228,266	2,844,227
Less: cash and bank balances	(213,608)	(154,011)
Capital	3,014,658	2,690,216
Total equity (net assets)	3,228,266	2,844,227
Borrowings	5,654,878	3,085,364
Overall financing	8,883,144	5,929,591
Capital to overall financing ratio	0.34	0.45

27 Commitments

27.1 Operating lease commitments

The Group as lessee

Non-cancelable operating lease commitments are disclosed below:

In thousand drams	As of December 31, 2014	As of December 31, 2013
Not later than 1 year	14,707	11,130
Later than 1 year and no later than 5 years	29,090	45,021
	43,797	56,151

28 Contingencies

28.1 Business environment

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis.

Deterioration of economic situation of countries collaborating with the Republic of Armenia led to the shortage of money transfers from abroad, upon which the economy of Armenia is significantly dependant. Further decline in international prices of mining products, uncertainties due to possibilities of attraction of direct capital investments, inflation, may lead to deterioration of the situation of Armenian economy and of the Group. However, as the number of variables and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Group may be affected.

Management of the Group believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Group.

28.2 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 Group 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 Group property or relating to the Group operations. Until the Group 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 Group's operations and financial position.

28.3 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.

29 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks and short-term investments with a maturity period of less than 3 months, net of outstanding bank overdrafts. Cash and bank balances at the end of the financial year as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position, as follows:

In thousand drams	As of December 31, 2014	As of December 31, 2013
Cash and bank balances	213,608	154,011
Short-term investments	65,146	204,739
	278,754	358,750

30 Related parties

30.1 Control relationships

The management body of the Group is the Board of Trustees comprised of independent representatives from a private sector, international and local public organizations, educational institutions and rural community representatives.

30.2 Transactions with related parties

During the reporting year the Group had the following transactions with the related parties and as of the reporting date had the following outstanding balances.

In thousand drams

Transactions	Year ended December 31, 2014	Year ended December 31, 2013
Entities under common control		
Received prepayments	49,004	-
Sale of goods	5,486	5,083
Received prepayments	5,409	-
Provision of services	-	603
Acquisition of goods and raw materials	16,713	4,000

In thousand drams

Outstanding balances	As of December 31, 2014	As of December 31, 2013
Trade and other payables	2,898	-

30.3 Transactions with management and close family members

Key management received the following remuneration during the year.

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Salaries and bonuses	169,280	130,546

31 Restatement of comparative consolidated financial statements

As disclosed in note 2.6, the policy of the Group is the retrospective adjustment of mistakes disclosed in the current year. During 2014 management of the Group has decided that some items of the statement of financial position as of December 31, 2013 and as of December 31, 2012 and some items of the consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2013 and December 31, 2012 are not stated properly. As a result, those mistakes have been adjusted in the reporting period as follows:

In the statement of financial position as of December 31, 2013:

In thousand drams		As of December 31, 2013 (before restatement)	Restatement (2012)	Restatement (2013)	As of December 31, 2013 (after restatement)
Grants related to assets	(1)	175,916	(11,171)	(14,490)	150,255
Trade and other payables	(2)	148,104	-	(8,488)	139,616
Accumulated result		2,810,078	11,171	22,978	2,844,227

(1) In 2014 management revealed that grants related to assets were not debited (decreased) by the amount of the depreciation expense of the related items of property and equipment.

(2) Correction of trade payables and income.

In the statement of financial position as of January 1, 2013:

In thousand drams		As of December 31, 2012 (before restatement)	Restatement	As of December 31, 2012 (after restatement)
Grants related to assets	(1)	84,325	(11,171)	73,154
Accumulated result	(1)	2,553,735	11,171	2,564,906

(1) In 2014 management revealed that grants related to assets were not debited (decreased) by the amount of the depreciation expense of the related items of property and equipment.

www.grantthornton.am