

**Armenia Renewable Resources and
Energy Efficiency Fund**

**Financial Statements
and
Independent Auditor's Report
for the year ended 31 December 2015**

**YEREVAN
MARCH 2016**

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"SOS-AUDIT" LTD

INDEPENDENT AUDITOR'S REPORT

*On the financial statements of Armenia Renewable Resources and
Energy Efficiency Fund
for the year ended 31 December 2015*

To the Management of the Armenia Renewable Resources and Energy Efficiency Fund

We have audited the accompanying financial statements of the Armenia Renewable Resources and Energy Efficiency Fund (the Fund) which comprise the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

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

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ՀՀ, ք. Երևան 0037, Ա.Տիգրանյան 38/55; Դեռ.՝ (+37410) 20 11 51; Ֆաքս՝ (+37410) 20 11 50; www.sosaudit.am; Էլ-փոստ՝ info@sosaudit.am

An Associate of the Crowe Horwath Business Alliance

38/55 A.Tigranyan, 0037 Yerevan, RA; Tel.: (+37410) 20 11 51; Fax: (+37410) 20 11 50; www.sosaudit.am; E-mail: info@sosaudit.am



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

Opinion

In our opinion the accompanying financial statements present fairly in all material respects the financial position of the Fund as of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

"SOS-Audit" LLC
16 March 2016



Manvel Ghazaryan
Director

Gnel Khachatryan, FCCA
Auditor

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*Armenia Renewable Resources and Energy Efficiency Fund
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2015*

	Note	2015	2014
		'000 AMD	'000 AMD
Income from loans issued	5	45,318	63,302
Interest expense	6	(30,118)	(28,615)
Income from energy services rendered contracts		-	2,902
Cost of services		-	(995)
Income from grants	7	970,387	136,054
Direct costs on projects	8	(970,387)	(136,054)
Direct costs on projects (from Fund's means)	8	(44,850)	(52,532)
Administrative expenses	9	(149,408)	(143,895)
Other income		20,467	16,446
Results from operating activities		(158,591)	(143,387)
Interest income from cash and cash equivalents and term deposits with banks		114,626	87,207
Impairment losses on loans issued	12	(2,026)	(17,323)
Net foreign exchange (loss)/gain		(7,467)	(13,476)
Profit/(loss) before income tax		(53,458)	(86,979)
Income tax expense	10	(25,254)	(24,792)
Profit / (loss) for the year		(78,712)	(111,771)
Other comprehensive income		-	-
Total comprehensive result for the year		(78,712)	(111,771)

These financial statements were approved by the management on 16 March 2016 and were signed on its behalf.

Tamara Babayan
Director



Siranush Gyorgyan
Financial Manager

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 32.

Armenia Renewable Resources and Energy Efficiency Fund
Statement of Financial Position
for the year ended 31 December 2015

	Note	<u>31.12.2015</u>	<u>31.12.2014</u>
		<u>'000 AMD</u>	<u>'000 AMD</u>
ASSETS			
Non-current assets			
Property and equipment	11	56,023	35,651
Intangible assets	11	909	2,167
Loans issued	12	1,447,494	614,181
Total non-current assets		<u>1,504,426</u>	<u>651,999</u>
Current assets			
Inventories		2,859	645
Income tax prepayment		-	4,159
Trade and other receivables	13	24,864	32,359
Prepayments	15	344,278	171,822
Loans issued	12	443,231	533,405
Term deposits with banks	14	1,935,000	2,199,656
Cash and cash equivalents	16	736,200	1,064,397
Total current assets		<u>3,486,432</u>	<u>4,006,443</u>
Total assets		<u>4,990,858</u>	<u>4,658,442</u>
LIABILITIES			
Non-current liabilities			
Borrowings received	17	3,951,457	4,017,038
Grants related to assets	19	331,396	259,570
Total non-current liabilities		<u>4,282,853</u>	<u>4,276,608</u>
Current liabilities			
Grants related to income	18	313,596	139,912
Borrowings received	17	60,408	25,533
Trade and other payables	20	260,586	60,477
Current reserves	21	12,831	19,963
Current tax liabilities		3,347	-
Total current liabilities		<u>650,768</u>	<u>245,885</u>
Total liabilities		<u>4,933,621</u>	<u>4,522,493</u>
Net assets		<u>57,237</u>	<u>135,949</u>
Total net assets and liabilities		<u>4,990,858</u>	<u>4,658,442</u>

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 32.

Armenia Renewable Resources and Energy Efficiency Fund
Statement of Changes in Net Assets
for the year ended 31 December 2015

	<u>Net assets</u>
	<u>'000 AMD</u>
Balance at 1 January 2014	247,720
Total result for the year	(111,771)
Balance at 31 December 2014	135,949
Total result for the year	(78,712)
Balance at 31 December 2015	57,237

The statement of changes in net assets attributable to the founder is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 32.

Armenia Renewable Resources and Energy Efficiency Fund
Statement of Cash Flows
for the year ended 31 December 2015

	Note	2015	2014
		'000 AMD	'000 AMD
Cash flows from operating activities			
Profit / (loss) for the year		(78,712)	(111,771)
<i>Adjustments for:</i>			
Depreciation and amortization		16,209	17,333
Impairment losses		(3,392)	17,323
Other accrued income		(15,684)	-
Income from loans issued		(45,318)	(63,302)
Interest expense		30,118	28,615
Interest income from cash and cash equivalents and term deposits		(114,626)	(87,207)
Net foreign exchange loss/(gain)		7,467	13,476
Current tax expense		25,254	24,792
Repayments of borrowings received		<u>(178,684)</u>	<u>(160,741)</u>
Change in inventories		(2,214)	(148)
Change in trade and other receivables, prepayments		(179,759)	(163,988)
Change in trade and other payables		200,109	(8,826)
Change in grants		213,027	168,359
		<u>52,479</u>	<u>(165,344)</u>
Income tax paid		(17,748)	(34,219)
Loans issued		(1,151,573)	(181,360)
Redemption of loans issued		107,978	103,017
Interest proceeds from loans issued		11,710	63,302
Interest paid		(30,382)	(28,096)
Net cash used in operating activities		<u>(1,027,536)</u>	<u>(242,700)</u>
Cash flows from investing activities			
Payments for acquisition of property and equipment and intangible assets		(35,323)	(30,449)
Investment/(redemption) of term deposits with banks		(1,935,000)	(2,199,656)
Redemption of loans issued to PFI		2,608,090	782,720
Interest received		141,150	166,241
Net cash received/(used) in investing activities		<u>778,917</u>	<u>(1,281,144)</u>
Cash flows from financing activities			
Net receipt/(return) of borrowings related to projects		5,242	22,860
Repayments of borrowings received		(77,353)	-
Net cash received/(used) from financing activities		<u>(72,111)</u>	<u>22,860</u>
Net (decrease)/increase in cash and cash equivalents		<u>(320,730)</u>	<u>(1,500,984)</u>
Effect of exchange rate changes on cash and cash equivalents		(7,467)	(13,476)
Cash and cash equivalents at 1 January		1,064,397	2,578,857
Cash and cash equivalents at 31 December		<u>736,200</u>	<u>1,064,397</u>

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 32.

1 Background

(a) Reporting entity

Armenia Renewable Resources and Energy Efficiency Fund (the "Fund") was established by the Government of the Republic of Armenia (the "Government") resolution N 799 dated 28 April 2005. The Fund is a non-for-profit organization. The founder of the Fund is the Republic of Armenia (the "Founder").

The registered address of the Fund is: 1 Melik Adamyany Street, Yerevan, Republic of Armenia.

The Ministry of Finance of the Republic of Armenia (the "MoF") has signed loan agreements during 2005 and 2006 (the "Loan Agreements") with the International Development Association (the "IDA") and received loans under the Urban Heating Project (the "UHP") and Renewable Energy Project (the "REP"). For the purpose of the implementation of those projects in compliance with the Loan Agreements the MoF must provide the loans received to the Participating Financial Institutions (the "PFI"s) and non-financial institution intermediaries in order to finance sub-loans provided by PFIs to qualifying beneficiaries.

The Fund was established in order to manage and administer the above mentioned projects and the project fund activities are performed through the bank accounts of the Fund. The MoF signed agreements with the Fund on implementation of the UHP and REP programs (the "Agency agreements").

For the purpose of the implementation of the programs, the Fund has established incremental and revolving accounts. The incremental account accumulates the initial funds transferred to the Fund for the realisation of the projects, whereas the revolving account accumulates the funds repaid back to the Fund by the PFIs and non-financial institution intermediaries. For the loans received the PFIs pay interest to the Fund in accordance with the agreements with the Fund on loans issued. Meanwhile, the Fund pays part of the interest received from PFIs to the Ministry of Finance of the RA based on the Agency agreements (see note 6). The margin between the interest received by the Fund and interest paid to the MoF for the program funds is intended to finance the Fund's expenses and increase program financing.

The objectives of the Fund are to:

- a) facilitate investments in the energy efficiency and renewable energy sectors;
- b) promote the development of Armenian energy efficiency and renewable energy market;
- c) contribute to the reduction of adverse anthropogenic impact on the environment and human health;
- d) develop mechanisms aimed at increasing energy safety and reliability of energy system;
- e) when respective authority is received from the MoF, initiate credit and grant programs to promote the sector development on behalf of the MoF based on the agreements signed with the MoF.

On 30 July 2012 a new Agency agreement was signed between the Fund and the MoF, pursuant to resolution 174-N of the Government of the Republic of Armenia dated 16 February 2012, whereby the Fund agrees to implement Energy Efficiency and Renewable Energy Financing Project (the "EEREFP") utilising the funds received as at the date of agreement for UHP and REP projects under Agency agreements.

The EEREFP envisages the following components:

- Component 1 Program funds are provided to the PFIs to finance investments by qualifying beneficiaries in energy efficiency and renewable energy projects.

Component 2 The Fund makes energy efficiency investments in public buildings.

In 2015 the Fund implemented the following projects:

- “Energy Efficiency project”, which is financed under the GEF Grant TF 012163 Agreement signed between the International Bank for Reconstruction and Development acting as an implementing agency of Global Environment Facility and the Republic of Armenia on 20 April 2012. The objective of the project is to reduce energy consumption in social and other public facilities through the removal of barriers to the implementation of energy efficiency investments in the public sector.
- “Preparation of the scaling-up renewable energy program investment plan project”, which is financed under the GEF Grant TF 014245 Letter-agreement signed between the International Bank for Reconstruction and Development acting as an implementing agency of Global Environment Facility and Armenia Renewable Resources and Energy Efficiency Fund on 19 April 2013. The objective of the project is to elaborate the investment plan of scaling-up renewable energy project.
- “Black Sea Basin 2007-2013 buildings energy efficiency plan project”, which is financed by European Union under Partnership agreement signed between mayor’s office of Kavala and Armenia Renewable Resources and Energy Efficiency Fund on 26 September 2012. The objective of the project is to improve the system of buildings energy efficiency and to share know-how in energy sphere.
- “Project preparation for industrial scope solar power project”, that is financed through project preparation grant dated 30 June 2015 signed between the Government of the Republic of Armenia and International Bank for Reconstruction and Development. The goal of the project is to support the Republic of Armenia regarding to preparation of the expected project on industrial scope of solar energy, that is determine possible locations of solar power stations, conducting technical and business feasibility study of possible locations, mapping initial resources, assessing the capability to connect to local set, and assessing connection cost.
- “Geothermal Energy Exploratory Drilling Project”, the energy safety concept of the Republic of Armenia (in 2013), Development strategy of Armenia and National safety strategy tend to develop own fossil renewable energy resources. The objective of the project with the support of the World Bank (Grant Agreement TF 18000) is to install exploratory drilling in Qarqar geothermal area, which is defined by the Government of the Republic of Armenia as one of priority projects for renewable resources in the Renewable energy scaling-up project investment plan.
- “Geothermal Exploratory Drilling Project” is financed by the Grant Agreement TF0A0544 dated 16 June 2015 signed between the Government of the Republic of Armenia and International Bank for Reconstruction and Development. The goal of the project is performing exploratory drilling in Qarqar, a possible geothermal location, in order to assess sufficiency of resources, approve the quality and attract the private sector to build geothermal station. The ultimate goal of the project to build geothermal station in Qarqar in case the availability of resources is approved.

(b) Armenian business environment

The Fund’s operations are located in Armenia. Consequently, the Fund is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia. The financial statements reflect management’s assessment of the impact of the Armenian business environment on the operations and the financial position of the Fund. The future business environment may differ from management’s assessment.

2 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram (“AMD”), which is the Fund’s functional currency and the currency in which these financial statements are presented. All financial information presented in AMD has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in note 12 “Loans issued” and note 17 “Borrowings from the MoF” - fair value of loans issued and borrowings from the MoF at initial recognition.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Fund at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

(b) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise loans issued, trade and other receivables, term deposits with banks, cash and cash equivalents.

The Fund initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Fund becomes a party to the contractual provisions of the instrument.

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

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

The Fund classifies all non-derivative financial assets into loans and receivables category.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 3(f)(i)).

Loans and receivables category comprise the following classes of assets: loans issued as presented in note 12, trade and other receivables as presented in note 13, term deposits with banks as presented in note 14 and cash and cash equivalents as presented in note 16.

Cash and cash equivalents

Cash and cash equivalents comprise current accounts with banks and special accounts with Central Treasury.

(ii) Non-derivative financial liabilities

The Fund initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Fund becomes a party to the contractual provisions of the instrument.

The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Fund classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise borrowings from the MoF and trade and other payables.

(c) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Fund, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use. Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- computer and other equipment 4 years
- motor vehicles 5 years
- fixtures and fittings 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(d) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in the profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are 5 years for software.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(e) Leased assets

Assets leased under operating lease are not recognised on the Fund's statement of financial position.

(f) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Fund on terms that the Fund would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Fund, economic conditions that correlate with defaults.

Loans and receivables

The Fund considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Fund uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Finance costs comprise interest expense on borrowings.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The Fund believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Fund to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) New Standards and Interpretations not yet adopted

The Foundation has not applied the following new and revised IFRSs that have been issued but are not effective. The Foundation has not yet determined the potential effect of the new and revised standard on its financial position and performance.

- IFRS 9, *Financial Instruments*, (as revised on July 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. IFRS 9 will supersede IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9 introduces new a) classification and measurement requirements for financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting.

- IFRS 15, *Revenue from contracts with customers*, (issued on May 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can choose to apply the Standard retrospectively or to use a modified transition approach, which is to apply the Standard

retrospectively only to contracts that are not completed contract at the date of initial application. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes the following Standards and Interpretations upon its effective date:

- ✓ IAS 18, *Revenue*,
- ✓ IAS 11, *Construction Contracts*,
- ✓ IFRIC 13, *Customer Loyalty Programmes*,
- ✓ IFRIC 15, *Agreement for the Construction of Real Estate*,
- ✓ IFRIC 18, *Transfers of Assets from Customers*,
- ✓ SIC 31, *Revenue-Barter Transactions Involving Advertising Services*.

- IFRS 16, *Leases*, (issued on January 2016) is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted, if IFRS 15 has also been applied. IFRS 16 will supersede IAS 17, *Leases*.

Under IFRS 16 a lessee recognizes a right-of-use assets and a lease liability. The right-of-use assets is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the discounted lease payments payable over the lease term.

Lessee can account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis, if:

- A lease term of 12 months or less – this election is made by class of underlying assets;
 - The underlying asset has a low value when new (such as personal computers or small items of office furniture) – this election can be made on a lease-by-lease basis.
- Amendments to IAS 1, *Presentation of Financial Statements*, - *Disclosure Initiative* (issued on Dec 2014), is effective for annual periods beginning on or after 1 January 2016 with earlier application permitted. Key highlights in the amendment are:
 - An entity should not reduce understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
 - An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.
 - In other comprehensive income section of a statement of profit or loss and other comprehensive income, separate disclosure is required for the following items:
 - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and
 - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.
- Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*, -*Clarification of Acceptable Methods of Depreciation and Amortization* (issued on May 2014) is effective for annual periods beginning on or after 1 January 2016 and apply prospectively with earlier application permitted. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable perception that revenue is not an appropriate basis for amortization of an intangible asset (which can be rebutted in two limited circumstances).
 - Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 41, *Agriculture*, -*Bearer Plants* (issued on June 2014) is effective for annual periods beginning on or after 1 January 2016 and apply retrospectively with earlier application permitted. The amendments define a bearer plant (mature bearer biological assets, which no longer undergo significant biological transformation and are used solely to grow produce) and require biological assets that meet its definition to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16. The producing growing on bearer plants continues to be accounted for in accordance with IAS 41.

4 Determination of fair values

A number of the Fund's accounting policies and disclosures require the determination of fair value, for both financial assets and liabilities. Fair values have been determined for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Loans issued and trade and other receivables

The fair value of loans issued and trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5 Income from loans issued

The income from loans issued represents interest receivable from the PFIs and non-financial institution intermediaries.

6 Interest expense

Interest expense represents interest payable to the MoF on the funds received under the agreement of EEREFP program at an annual rate of 0.75%.

7 Income from grants

	2015 <u>'000 AMD</u>	2014 <u>'000 AMD</u>
Grants related to income	965,527	131,149
Grants related to assets	4,860	4,905
	<u>970,387</u>	<u>136,054</u>

8 Costs directly related to projects

	2015 <u>'000 AMD</u>	2014 <u>'000 AMD</u>
Research costs	1,010,377	183,681
Depreciation	4,860	4,905
	<u>1,015,237</u>	<u>188,586</u>

The table below shows the costs of project by financing sources: the portion of the costs directly related to project costs financed by grants received and the portion financed by the Fund means:

	Financing sources			
	Grants		Fund means	
	2015 <u>'000 AMD</u>	2014 <u>'000 AMD</u>	2015 <u>'000 AMD</u>	2014 <u>'000 AMD</u>
Energy efficiency project	253,298	89,270	21,540	30,492
Geothermal exploratory drilling project	663,166	-	-	-
Geothermal exploratory drilling project	44,451	14,332	22,878	6,561
Black Sea Basin 2007-2013 buildings energy efficiency plan joint operational program	5,609	14,360	432	1,050
Renewable energy scaling-up project investment plan buildings project of the Global Environment Fund	-	18,092	-	14,429
Solar power project	3,863	-	-	-
	<u>970,387</u>	<u>136,054</u>	<u>44,850</u>	<u>52,532</u>

9 Administrative expenses	2015	2014
	'000 AMD	'000 AMD
Salaries	94,668	81,798
Rent	13,332	13,332
Depreciation and amortization	11,349	12,428
Audit and professional services	4,790	8,132
Consulting	-	8,110
Public relations and communications	8,065	6,278
Utilities	2,832	1,574
Transportation and vehicle maintenance	3,273	2,750
Other	11,099	9,493
	149,408	143,895

10 Income tax expense

	2015	2014
	'000 AMD	'000 AMD
Current tax expense	25,254	24,792

Reconciliation of effective tax rate:

	2015		2014	
	'000 AMD	%	'000 AMD	%
Loss before income tax	(53,458)		(86,979)	
Tax using the defined tax rate	(10,692)	20	(17,396)	20
Non-deductible expenses	73,350	(137)	68,248	(78)
Non-taxable income	(37,404)	70	(26,060)	30
	25,254	(47)	24,792	(28)

Part of activities of the Fund is exempt from income tax. Income tax is calculated only on interest income generated from loans issued and deposits. Deductible expenses are interest expense and administrative expenses directly attributable to generation of taxable income.

No deferred tax assets and liabilities are recognized as there are no temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes exist.

11 Property and equipment and intangible assets

'000 AMD

<i>Cost</i>	Computer and other equipment	Vehicles	Fixtures and fittings	Intangible assets	Total
Balance at 1 January 2014	61,878	22,771	9,051	8,520	102,220
Additions	12,657	14,670	1,763	1,359	30,449
Disposals	(5,595)	(7,971)	-	-	(13,566)
Balance at 31 December 2014	68,940	29,470	10,814	9,879	119,103
Additions	35,090	-	-	233	35,323
Disposals	(7,945)	-	-	-	(7,945)
Balance at 31 December 2015	96,085	29,470	10,814	10,112	146,481
<i>Depreciation and amortization</i>					
Balance at 1 January 2014	42,980	22,771	5,475	6,292	77,518
Depreciation/amortization for the year	13,445	2,078	388	1,422	17,333
Disposals	(5,595)	(7,971)	-	-	(13,566)
Balance at 31 December 2014	50,830	16,878	5,863	7,714	81,285
Depreciation/amortization for the year	10,721	2,936	1,063	1,489	16,209
Disposals	(7,945)	-	-	-	(7,945)
Balance at 31 December 2015.	53,606	19,814	6,926	9,203	89,549
<i>Carrying value</i>					
At 1 January 2014	18,898	-	3,576	2,228	24,702
At 31 December 2014	18,110	12,592	4,951	2,165	37,818
At 31 December 2015	42,479	9,656	3,888	909	56,932

As at reporting date the cost of fully depreciated property and equipment comprised AMD 63,516 thousand (31.12.2014: AMD 56,684 thousand).

Depreciation and amortization costs assignment is as follows: administrative expenses: AMD 11,349 thousand, direct expenses on projects: AMD 4,860 thousand.

12 Loans issued

	31.12.2015 '000AMD	31.12.2014 '000AMD
Loans to PFIs:		
- not overdue	151,473	559,907
Loans to non-financial institution intermediaries (including investments in public facilities within the framework of Energy efficiency project)		
- not overdue (investments in public facilities)	1,738,279	587,679
- overdue for 60 days	973	-
- overdue more than 360 days	111,707	109,681
Gross loans issued	2,002,432	1,257,267
Impairment allowance	(111,707)	(109,681)
Net loans issued	1,890,725	1,147,586

Total gross loans issued to PFIs and direct beneficiaries at year end were as follows at the reporting date exchange rates:

Borrower/Program	Currency	Nominal interest rate	Year of maturity	31.12.2015		31.12.2014	
				Face value	Carrying amount	Face value	Carrying amount
ACBA-Credit Agricole Bank cjsc/UHP Ameriabank cjsc/ REP	AMD	5.9%-11.4%	2012-2016	113,000	113,000	463,000	463,000
Non-financial institution intermediaries/UHP	USD	2.5%-6.4%	2012-2017	38,473	38,473	96,907	96,907
Non-financial institution intermediaries/UHP	USD	5%	2014	18,227	18,227	17,896	17,896
Non-financial institution intermediaries/UHP	USD	5%	2015	7,468	7,468	7,333	7,333
Non-financial institution intermediaries/UHP	USD	5%	2020	86,012	86,012	84,452	84,452
Investments in public facilities	AMD	0%	2013-2022	1,739,252	1,739,252	587,679	587,679
				2,002,432	2,002,432	1,257,267	1,257,267

In the reporting period the Fund received a loan from MoF of RA and issued it to "Rural Areas Economic Development PIU" State Institution as loan issue precondition. The loan balance at the end of the reporting period is AMD 232,671 thousand (2014: AMD 243,242 thousand). In the statement of financial position these received and issued loans set off as it is legally acceptable for the Fund to set off financial assets and liabilities.

(a) Interest rates

The nominal interest rates presented in the table above are determined for each tranche of the loans issued and are fixed until maturity of the given tranche.

Management estimates that the fair values of loans issued are not different from loaned amounts at initial recognition as these loans are provided in a separate market segment which is different from the commercial Loans issued market.

(b) Key assumptions and judgments for estimating the loan impairment

The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The PFIs have been transacting with the Fund for over seven years, and the Fund has no losses occurred on that transaction.

The Fund establishes an allowance for impairment that represents its estimate of incurred losses in respect of loans issued.

Impairment losses

The movements in the allowance for impairment during the years ended 31 December 2015 and 31 December 2014 in respect of loans issued were as follows:

	'000 AMD 2015	'000 AMD 2014
Balance at the beginning of the year	109,681	92,358
Net charge for the year	2,026	17,323
Balance at the end of the year	111,707	109,681

At 31 December 2015, an impairment allowance of AMD 111,707 thousand (2014: AMD 109,681 thousand) relates to four (2013: four) non-financial institution intermediaries that have financial difficulties and have overdue balances for more than 360 days.

(c) Investments in public facilities within Energy efficiency project

On 30 July 2012 pursuant to resolution 174-N of the Government of the Republic of Armenia dated 16 February 2012 and according to Agency agreement between the Fund and MoF of RA dated 30 July 2012 the Fund contributed in public facilities through energy efficiency events. The project assessment, organisation and works of energy efficiency events tender as well as further implementation of the project were realised by the Fund. Simultaneously with an agreement with contractor an energy efficiency supply agreement is signed with beneficiary. The agreement states the payment schedules of the energy efficiency events and services rendered by the Fund under this agreement (the payments on energy supply are discussed with beneficiaries).

13 Trade and other receivables

	31.12.2015 '000 AMD	31.12.2014 '000 AMD
Receivable interests from PFIs on program loans	18,664	14,295
Receivable grants	4,132	12,925
Receivables from energy services	1,884	680
Prepayments to state budget	184	1,489
Other	-	2,970
	<u>24,864</u>	<u>32,359</u>

The Fund's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 23.

14 Term deposits with banks

Bank	Cur- rency	Nominal Interest	Redempti on date	31.12.2015		'000 AMD 31.12.2014	
				Nominal amount	Carrying value	Nominal amount	Carrying value
HSBC Bank Armenia CJSC	AMD	8%	2015	-	-	719,975	719,975
HSBC Bank Armenia CJSC	USD	3.5%	2016	483,750	483,750	1,479,681	1,479,681
HSBC Bank Armenia CJSC	USD	4%	2016	1,451,250	1,451,250	-	-
				<u>1,935,000</u>	<u>1,935,000</u>	<u>2,199,656</u>	<u>2,199,656</u>

The Fund's exposure to credit and currency and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.

Concentration of term deposits with banks

As at 31 December 2015 and 2014 the Fund has deposits in HSBC Bank Armenia CJSC with 9 months of maturity date.

15 Advances given

	'000 AMD 31.12.2015	'000 AMD 31.12.2014
Advances for construction work	340,712	168,405
Rent	3,333	3,333
Other	233	84
	<u>344,278</u>	<u>171,822</u>

16 Cash and cash equivalents

	'000 AMD 31.12.2015	'000 AMD 31.12.2014
Current accounts in bank	285,903	659,729
Special accounts in Central Treasury- agency agreements	41,466	257,342
Special accounts in Central Treasury- grant agreements	312,081	80,625
Cash in transfer	-	-
Cash equivalents	96,750	66,701
Cash and cash equivalents	736,200	1,064,397

Cash equivalents represent term deposits within 3 months of maturity date in HSBC bank Armenia CJSC, which is due on 8 March 2016.

17 Borrowings from the MoF

Terms and conditions of loans received from the MoF were as follows:

	Currency	Nominal interest rate	Year of maturity	'000 AMD			
				31.12.2015		31.12.2014	
				Face value	Carrying amount	Face value	Carrying amount
Borrowings from the MoF of RA on Energy efficiency and renewable resources project	AMD	0.75%	2045	1,742,423	1,742,423	1,740,568	1,740,568
Borrowings from the MoF of RA on Energy efficiency and renewable resources project	USD	0.75%	2045	2,269,442	2,269,442	2,302,003	2,302,003
Total interest-bearing liabilities				4,011,865	4,011,865	4,042,571	4,042,571

In July 2012 a new agreement was signed by the Ministry of Finance of the Republic of Armenia and the Fund. All the outstanding balance of the borrowings received by the Fund as at the date of the agreement from the MoF were consolidated into one borrowing for new Energy Efficiency project. Per new agreement the funds received bear an interest rate of 0.75%, which is payable semiannually. The funds are repayable to the MoF in installments starting from 2015 until 2045.

Management estimates that the fair values of borrowings from the MoF are not different from loaned amounts at initial recognition as these loans are provided in a separate market segment which is different from the commercial Loans issued market.

The Fund's exposure to currency and liquidity risk related to borrowings from the MoF is disclosed in note 22.

18 Grants related to income

	31.12.2015	31.12.2014
	'000 AMD	'000 AMD
Current	313,596	139,912

Movement in current grants related to income is as follows:

	2015	2014
	'000 AMD	'000 AMD
Balance at 1 January	139,912	58,539
Contributions received	1,232,561	179,114
Reclassification from grants related to assets	(39,343)	20,483
Receivable grant	4,132	12,925
Repayments	(20,796)	-
Recalssification to grants related to assets	(37,343)	-
Contributions recognized as income (note 7)	(965,527)	(131,149)
Balance at 31 December	313,596	139,912

19 Grants related to assets

	31.12.2015	31.12.2014
	'000 AMD	'000 AMD
On borrowings to public facilities	285,665	243,970
On property and equipment	45,731	15,600
	331,396	259,570

Movement in grants related to assets is as follows:

	2015	2014
	'000 AMD	'000 AMD
Balance at 1 January	259,570	172,584
Contributions received on borrowings	2,352	111,840
Reclassification to grants related to revenue	39,343	(20,483)
Contributions received on property and equipment	34,991	534
Income recognized the size of PPE depreciation	(4,860)	(4,905)
Balance at 31 December	331,396	259,570

20 Trade and other payables

	31.12.2015	31.12.2014
	'000 AMD	'000 AMD
Accruals	93,250	40,340
Payables to the MoF	4,136	4,400
Other payables	8,759	8,774
Payables to suppliers	132,631	3,914
Payables on taxes other than on income tax	4,989	594
Payables to employees	-	85
Advances received	16,821	2,370
	260,586	60,477

The Fund's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

The accruals comprise 2014 year contingent liabilities within agreements signed on energy efficiency events under Energy efficiency project.

21 Current reserves

	2015	2014
	'000 AMD	'000 AMD
Balance at 1 January	19,963	10,230
Reduction	(9,835)	-
Addition	2,703	9,733
Balance at 31 December	12,831	19,963

Reserve comprises employees annual leave reserve and accrued expenses for auditing services.

22 Financial instruments risks

(a) Overview

The Fund has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Risk management bases

The Management of the Fund has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Management has developed an internal control policy for managing and monitoring risks. The Management reports regularly to Fund's founder on its activities.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's bank balances.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	'000 AMD	
	Carrying amount	
	31.12.2015	31.12.2014
Loans issued	151,473	559,907
Loans issued (investments)	1,738,279	587,679
Trade and other receivables	20,548	17,945
Term deposits with banks	1,935,000	2,199,656
Cash and cash equivalents	736,200	1,064,397
	4,581,500	4,429,584

(i) Cash and cash equivalents

The Fund held cash and cash equivalents of AMD 736,200 thousand at 31 December 2015 (2014: AMD 1,064,397 thousand), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with a reputable Armenian bank and Central Treasury and the Fund does not expect them to fail to meet their obligations.

(ii) Term deposits with banks

As at 31 December 2015 the Fund has term deposits in HSBC bank Armenia CJSC, which is among 5 major banks of Armenia with the size of assets held.

(iii) Loans issued

The Fund issued loans of AMD 2,002,432 thousand at 31 December 2015 (2014: AMD 1,257,267 thousand), which represents its average credit exposure on these assets. The loans are issued to two reputable Armenian banks and the Fund does not expect them to fail to meet their obligations (note 12).

As at 31 December 2015 the Fund set AMD 1,739,252 thousand (2014: 587,679 thousand) under "Investments in public facilities" A component of the Energy efficiency project, which represents its maximum credit exposure on these assets.

(c) **Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

Typically the Fund ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

2015 '000 AMD Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Borrowings from the MoF	4,011,865	4,184,873	41,380	43,700	87,185	329,170	3,683,438
Trade and other payables	255,597	255,597	162,347	93,250	-	-	-
	4,267,462	4,440,470	203,727	136,950	87,185	329,170	3,683,438

2014 '000 AMD Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Borrowings from the MoF	4,042,571	4,582,516	14,952	36,581	110,902	328,822	4,091,259
Trade and other payables	57,498	57,498	57,498	-	-	-	-
	4,100,069	4,640,014	72,450	36,581	110,902	328,822	4,091,259

(d) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(iv) **Currency risk**

The Fund's exposure to foreign currency risk was as follows based on notional amounts:

	2015 USD-denominated	2014 USD-denominated
Loans issued	38,473	96,907
Trade and other receivables	-	28
Term deposits with banks	1,935,000	1,479,681
Cash and cash equivalents	328,630	660,880
Borrowings from the MoF	(2,269,442)	(2,302,003)
Net exposure	32,661	(64,507)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
1 USD equals AMD	483	462.93	483.75	474.97

Sensitivity analysis

A weakening of the AMD, as indicated below, against USD at 31 December would have increased (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Fund considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	'000 AMD Profit or loss
31 December 2015	
USD (10% appreciation)	3,266
31 December 2014	
USD (10% appreciation)	(6,451)

A strengthening of the AMD against USD at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Changes in exchange rates at the reporting date would not affect equity directly.

(v) **Interest rate risk**

At the reporting date Fund's interest-bearing financial instruments were loans issued (see note 12), and Borrowings from the MoF (see note 17), which were at fixed rates. Changes in exchange rates impact on the loans issued, term deposits with banks and borrowings from the MoF changing their fair value.

The Fund does not account for any fixed rate financial instruments as at fair value through profit or loss or as available-for-sale. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

(e) **Fair values**

The basis for determining fair values is disclosed in note 4. Management believes that the fair value of the Fund's financial assets and liabilities approximates their carrying amounts.

(f) **Capital management**

Given the nature of the Fund's operations, the Fund does not have a formal capital management policy. The Fund is not subject to externally imposed capital requirements.

23 Contingencies

(a) **Litigation**

The Fund does not have any litigation that may have a material effect on the Fund's financial position.

(b) **Taxation contingencies**

The taxation system in Armenia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015	2014
	'000 AMD	'000 AMD
Less than one year	3,333	3,333

During the year ended 31 December 2015 AMD 13,332 thousand (2014: AMD 13,332 thousand) was

recognized as an expense in profit or loss in respect of operating leases, which is included in administrative expenses (see note 9).

25 Related party transactions

(a) Control relationships

The Fund's founder and the ultimate controlling party is the Republic of Armenia.

(b) Transactions with management

Key management received the following remuneration during the year, which is included in administrative expenses (see 9).

	2015	2014
	'000 AMD	'000 AMD
Salaries and bonuses	<u>13,447</u>	<u>13,447</u>

(c) Transactions with the MoF

The Fund's transactions with the MoF are disclosed below.

(i) *Statement of comprehensive income*

	2015	2014
	'000 AMD	'000 AMD
Interest expense	<u>30,118</u>	<u>28,615</u>

(ii) *Trade and other payables*

	2015	2014
	'000 AMD	'000 AMD
Trade and other payables	<u>12,895</u>	<u>13,174</u>

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

(iii) *Borrowings from the MoF*

	Transaction value for the year		'000 AMD	
	ended 31 December		Outstanding balance as at 31 December	
	2015	2014	2015	2014
Borrowings from the MoF	77,353	-	4,011,865	4,042,571
	<u>77,353</u>	<u>-</u>	<u>4,011,865</u>	<u>4,042,571</u>