Armenia Renewable Resources and Energy Efficiency Fund

Financial Statements for the year ended 31 December 2012

Contents

KPMG

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Independent Auditors' Report

To the Board of Trustees
Armenia Renewable Resources and Energy Efficiency Fund

We have audited the accompanying financial statements of Armenia Renewable Resources and Energy Efficiency Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in net assets attributable to the founder and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to the fact that the corresponding figures presented, excluding the adjustments described in note 23 to the financial statements, are based on the financial statements of the Fund as at and for the year ended 31 December 2011, which were audited by other auditors whose report dated 20 April 2012 expressed an unmodified opinion on those statements. As part of our audit of the 2012 financial statements, we have audited the adjustments described in note 23 to the financial statements that were applied to restate the 2011 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2011 financial statements of the Fund other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2011 financial statements taken as a whole.

Andrew Coxshall
Director

Tigran Gasparyan
Head of Audit Department

KPMG Armenia cjsc

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02529689
YEREVAN CLOSED JOINT-STOCK COMPANY

KPMG Armenia cjsc
28 June 2013

'000 AMD	Note	2012	2011
			Restated
Income from loans issued	5	135,125	147,695
Interest expense	6	(23,956)	(24,466)
Income from grants	7	200,738	700,586
Direct project costs	8	(175,420)	(379,788)
Administrative expenses	9	(161,845)	(375,611)
Other income		2,906	8,510
Results from operating activities		**(22,452)**	**76,926**
Interest income from cash and cash equivalents and term deposits with banks		82,051	-
Impairment losses on loans issued	12	(5,152)	(40,036)
Net foreign exchange (loss)/gain		(4,490)	9,853
Profit before income tax		**49,957**	**46,743**
Income tax expense	10	(35,761)	(22,643)
Profit and total comprehensive income for the year		**14,196**	**24,100**

These financial statements were approved by management on 28 June 2013 and were signed on its behalf by:

Tamara Babayan
Director

Roza Manucharyan
Financial Manager

The statement of 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 35.

’000 AMD	Note	2012	2011	1 January 2011
			Restated	Restated
ASSETS				
Non-current assets				
Property and equipment	11	5,728	12,514	18,935
Intangible assets	11	3,428	5,132	336
Loans issued	12	1,327,826	1,826,748	1,983,142
Total non-current assets		**1,336,982**	**1,844,394**	**2,002,413**
Current assets				
Inventories		831	494	1,780
Current tax assets		-	1,964	-
Trade and other receivables	13	15,977	5,947	127,215
Prepayments		6,436	1,592	2,186
Term deposits with banks	14	1,929,070	-	-
Loans issued	12	465,197	155,400	632,570
Cash and cash equivalents	15	311,584	1,921,911	1,228,990
Total current assets		**2,729,095**	**2,087,308**	**1,992,741**
Total assets		**4,066,077**	**3,931,702**	**3,995,154**
NET ASSETS ATTRIBUTABLE TO THE FOUNDER		**254,260**	**240,064**	**215,964**
LIABILITIES				
Non-current liabilities				
Borrowings from the Ministry of Finance	16	3,697,222	1,392,450	1,392,450
Grants related to assets		-	-	3,065
Total non-current liabilities		**3,697,222**	**1,392,450**	**1,395,515**
Current liabilities				
Borrowings from the Ministry of Finance	16	-	2,207,488	2,086,810
Grants related to income	17	58,322	56,831	149,521
Prepayments received		-	8,828	10,965
Trade and other payables	18	41,068	26,041	121,770
Current tax liabilities		15,205	-	14,609
Total current liabilities		**114,595**	**2,299,188**	**2,383,675**
Total liabilities		**3,811,817**	**3,691,638**	**3,779,190**
Total net assets attributable to the founder and liabilities		**4,066,077**	**3,931,702**	**3,995,154**

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 35.

'000 AMD	**Net assets attributable to the founder**
Balance at 1 January 2011, as previously reported	1,112,824
Restatement (see note 23)	(896,860)
Balance at 1 January 2011 (restated)	**215,964**
Total comprehensive income for the year	
Profit and total comprehensive income for the year (restated)	24,100
Balance at 31 December 2011 (restated)	**240,064**
Balance at 1 January 2012	240,064
Total comprehensive income for the year	
Profit and total comprehensive income for the year	14,196
Balance at 31 December 2012	**254,260**

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 35.

’000 AMD	Note	2012	2011
			Restated
Cash flows from operating activities			
Profit for the year		14,196	24,100
Adjustments for:			
Depreciation and amortization	9	8,490	11,226
Impairment losses		5,152	40,036
Income from loans issued		(135,125)	(147,695)
Interest expense		23,956	24,466
Interest income from cash and cash equivalents and term deposits with banks		(82,051)	-
Net foreign exchange loss/(gain)		4,490	(9,853)
Current tax expense		35,761	22,643
Operating loss before working capital changes		**(125,131)**	**(35,077)**
Change in inventories		(338)	1,286
Change in trade and other receivables		(25,745)	114,489
Change in prepayments		(4,844)	595
Change in trade and other payables		6,089	(89,841)
Change in prepayments received		(8,828)	(2,137)
Change in grants		10,368	(95,755)
Cash used in operating activities before income tax paid, income received from loans issued and interest expense		**(148,429)**	**(106,440)**
Income tax paid		(18,592)	(39,216)
Income received from loans issued		140,598	152,993
Interest expense		(17,234)	(16,988)
Net cash used in operating activities		**(43,657)**	**(9,651)**
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets		-	(9,601)
Investment of funds in term deposits with banks		(1,887,103)	-
Interest received		77,117	-
Repayment of loans issued		213,169	659,724
Net cash (used in)/from investing activities		**(1,596,817)**	**650,123**
Cash flows from financing activities			
Net receipt/(return) of program loans		3,069	(7,903)
Net cash from/(used in) financing activities		**3,069**	**(7,903)**
Net (decrease)/increase in cash and cash equivalents		**(1,637,405)**	**632,569**
Cash and cash equivalents at 1 January		1,921,911	1,228,990
Effect of exchange rate fluctuations on cash and cash equivalents		27,078	60,352
Cash and cash equivalents at 31 December	15	**311,584**	**1,921,911**

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 35.

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 Adamyan 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 EEREEP 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 2012 the Fund implemented the following Grant projects:

- Geothermal grant project, which is financed under the GEF Grant TF 093563 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 26 February 2009. The objective of the project is to assess the feasibility of exploratory drilling of the geothermal site with the highest estimated geothermal potential.

- Energy Efficiency Investments grant 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.

(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").

Certain comparative amounts have been restated and represented (see note 24).

(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 16 “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 derecognises 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 realise 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 12, term deposits with banks as presented in note 14 and cash and cash equivalents as presented in note 15.

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

The Fund derecognises 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 recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised 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 derecognised. 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 expenditure is 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 judgement 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.

(ii) Non-financial assets

The carrying amounts of the Fund’s non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Fund has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(h) Revenue

Government grants

Government grants are recognised initially as grants related to income at fair value when there is reasonable assurance that they will be received and that the Fund will comply with the conditions associated with the grant and are then recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants that compensate the Fund for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(i) Other expenses

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(j) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2012, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Fund’s operations. The Fund plans to adopt these pronouncements when they become effective.

- Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amendments are effective for annual periods beginning on or after 1 January 2013, and are to be applied retrospectively. The Fund has not yet analysed the likely impact of the improvements on its financial position or performance.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Fund recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Fund’s financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Fund does not intend to adopt this standard early.

- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application. The Fund has not yet analysed the likely impact of the improvements on its financial position or performance.

- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income.* The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted. The Fund has not yet analysed the likely impact of the improvements on its financial position or performance.

- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively. The Fund has not yet analysed the likely impact of the improvements on its financial position or performance.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2013. The Fund has not yet analysed the likely impact of the improvements on its financial position or performance.

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% (2011: funds received under Agency agreements of UHP and REP programs at an annual rate of 1.00% and 1.25% respectively).

7 Income from grants

’000 AMD	**2012**	**2011**
		Restated
Grants related to income	200,738	697,521
Grants related to assets	-	3,065
	200,738	**700,586**

8 Direct project costs

’000 AMD	**2012**	**2011**
Research services	175,420	179,364
Construction services	-	200,424
	175,420	**379,788**

The table below shows the portion of the direct project costs financed by grants related to income on project basis.

’000 AMD	**2012**	**2011**
Geothermal grant project	175,420	142,264
REP grant project	-	21,818
UHP grant project	-	215,706
	175,420	**379,788**

9 Administrative expenses

'000 AMD	**2012**	**2011**
Salaries	66,304	76,466
Consultants	45,839	158,610
Rent	13,332	16,794
Depreciation and amortization	8,490	11,226
Trainings and workshops	7,885	2,253
Audit and professional services	6,500	12,570
Public relations and communications	3,712	73,918
Utilities	1,731	1,332
Transportation and vehicle maintenance	885	4,512
Travel	-	5,464
Other	7,167	12,466
	161,845	**375,611**

The table below shows the portion of the administrative expenses financed by grants related to income on project basis.

'000 AMD	**2012**	**2011**
Geothermal grant project	34,844	15,792
Energy Efficiency Investments grant project	3,052	-
REP grant project	-	226,827
UHP grant project	-	32,085
Energy Supply Reliability and Energy Efficiency grant project	-	5,749
	37,896	**280,453**

10 Income tax expense

’000 AMD	2012	2011
Current tax expense	**35,761**	**22,643**

Reconciliation of effective tax rate:

	2012		2011	
	’000 AMD	%	’000 AMD	%
Profit before income tax	**49,957**	**100.0**	**46,743**	**100.0**
Tax using the Fund’s tax rate	9,991	20.0	9,349	20.0
Non-deductible expenses	65,917	131.9	155,382	332.4
Non-taxable income	(40,147)	(80.4)	(142,088)	(304.0)
	35,761	**71.6**	**22,643**	**48.4**

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. Deductable expenses are interest expense and administrative expenses directly attributable to generation of taxable income.

No deferred tax assets and liabilities are recognized as 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	**Computer and other equipment**	**Motor vehicles**	**Fixtures and fittings**	**Intangible assets**	**Total**
Cost					
Balance at 1 January 2011	42,549	22,771	11,346	2,520	79,186
Additions	2,119	-	1,482	6,000	9,601
Disposals	(2,663)	-	-	-	(2,663)
Balance at 31December 2011	**42,005**	**22,771**	**12,828**	**8,520**	**86,124**
Balance at 1 January 2012	42,005	22,771	12,828	8,520	86,124
Disposals	-	-	(3,663)	-	(3,663)
Balance at 31 December 2012	**42,005**	**22,771**	**9,165**	**8,520**	**82,461**
Depreciation and amortization					
Balance at 1 January 2011	33,943	16,585	7,203	2,184	59,915
Depreciation/amortization for the year	5,499	3,226	1,297	1,204	11,226
Disposals	(2,663)	-	-	-	(2,663)
Balance at 31 December 2011	**36,779**	**19,811**	**8,500**	**3,388**	**68,478**
Balance at 1 January 2012	36,779	19,811	8,500	3,388	68,478
Depreciation/amortization for the year	3,370	2,960	456	1,704	8,490
Disposals	-	-	(3,663)	-	(3,663)
Balance at 31 December 2012	**40,149**	**22,771**	**5,293**	**5,092**	**73,305**
Carrying amounts					
At 1 January 2011	8,606	6,186	4,143	336	19,271
At 31 December 2011	5,226	2,960	4,328	5,132	17,646
At 31 December 2012	**1,856**	**-**	**3,872**	**3,428**	**9,156**

As at reporting date the cost of fully depreciated property and equipment comprised AMD 55,682 thousand (2011: AMD 34,713 thousand).

12 Loans issued

AMD'000	2012	2011	1 January 2011
		Restated	Restated
Loans to PFIs:			
- not overdue	1,789,062	1,977,191	2,575,928
Loans to non-financial institution intermediaries			
- not overdue	3,961	4,957	10,080
- overdue more than 90 days and less than 180 days	-	-	59,409
- overdue more than 360 days	90,224	85,072	15,331
Gross loans issued	**1,883,247**	**2,067,220**	**2,660,748**
Impairment allowance	(90,224)	(85,072)	(45,036)
Net loans issued	**1,793,023**	**1,982,148**	**2,615,712**

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

'000 AMD				2012		2011		1 January 2011	
Borrower/Program	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount	Face value	Carrying amount
						Restated	Restated	Restated	Restated
ACBA-Credit Agricole Bank cjsc/UHP	AMD	5.9%-11.4%	2012-2016	1,392,450	1,392,450	1,392,450	1,392,450	1,392,450	1,392,450
Ameriabank cjsc/ REP	USD	2.5%-6.4%	2012-2017	396,612	396,612	584,741	584,741	1,183,478	1,183,478
Non-financial institution intermediaries/UHP	USD	5%	2014	15,909	15,909	15,207	15,207	14,327	14,327
Non-financial institution intermediaries/UHP	USD	5%	2015	6,518	6,518	6,230	6,230	5,869	5,869
Non-financial institution intermediaries/UHP	USD	5%	2020	71,758	71,758	68,592	68,592	64,624	64,624
				1,883,247	**1,883,247**	**2,067,220**	**2,067,220**	**2,660,748**	**2,660,748**

(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 lending 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 Company for over six years, and no losses have occurred.

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 2012 and 31 December 2011 in respect of loans issued were as follows:

'000 AMD	**2012**	**2011**
		Restated
Balance at the beginning of the year	85,072	45,036
Net charge for the year	5,152	40,036
Balance at the end of the year	**90,224**	**85,072**

At 31 December 2012, an impairment allowance of AMD 90,224 thousand (2011: AMD 85,072 thousand) relates to four (2011: four) non-financial institution intermediaries that are having financial difficulties and have overdue balances for more than 360 days.

13 Trade and other receivables

'000 AMD	**2012**	**2011**
Receivables from PFIs for program loan interests	10,334	5,947
Accrued interest on term deposits with banks	4,934	-
Other	709	-
	15,977	**5,947**

The Fund's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 19.

14 Term deposits with banks

'000 AMD	**2012**	**2011**
Term deposits	**1,929,070**	**-**

Interest rates on deposits outstanding as at 31 December 2012 fall within the range of 2.5%-8.0%.

The Fund's exposure to credit and currency and a sensitivity analysis for financial assets and liabilities are disclosed in note 19.

Concentration of term deposits with banks

As at 31 December 2012 the term deposits with banks were entirely placed in one bank, which is one of the five largest banks in Armenia.

15 Cash and cash equivalents

'000 AMD	**2012**	**2011**
Current accounts in bank	253,831	1,786,434
Special accounts in Central Treasury- agency agreements	-	78,654
Special accounts in Central Treasury- grant agreements	57,753	56,823
Cash and cash equivalents in the statements of financial position and cash flows	**311,584**	**1,921,911**

16 Borrowings from the MoF

Terms and conditions of outstanding loans were as follows:

				31 December 2012		31 December 2011		1 January 2011	
’000 AMD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
						Restated	**Restated**	**Restated**	**Restated**
Borrowings from the MoF on Energy Saving and Renewable Energy project	AMD	0.75%	2045	1,743,270	1,743,270	-	-	-	-
Borrowings from the MoF on Energy Saving and Renewable Energy project	USD	0.75%	2045	1,953,952	1,953,952	-	-	-	-
Borrowings from the MoF on REP project	AMD	1.25%	On demand	-	-	269,994	269,994	257,955	257,955
Borrowings from the MoF on REP project	USD	1.25%	On demand	-	-	1,702,384	1,702,384	1,603,888	1,603,888
Borrowings from the MoF on UHP project	AMD	1.00%	2013	-	-	343,000	343,000	343,000	343,000
Borrowings from the MoF on UHP project	AMD	1.00%	2014	-	-	586,450	586,450	586,450	586,450
Borrowings from the MoF on UHP project	AMD	1.00%	2015	-	-	350,000	350,000	350,000	350,000
Borrowings from the MoF on UHP project	AMD	1.00%	2016	-	-	113,000	113,000	113,000	113,000
Borrowings from the MoF on UHP project	USD	1.00%	On demand	-	-	77,271	77,271	72,867	72,867
Borrowings from the MoF on UHP Pilot Project	AMD	0.00%	On demand	-	-	67,810	67,810	67,280	67,280
Borrowings from the MoF on UHP Pilot Project	USD	0.00%	On demand	-	-	90,029	90,029	84,820	84,820
Total interest-bearing liabilities				**3,697,222**	**3,697,222**	**3,599,938**	**3,599,938**	**3,479,260**	**3,479,260**

In July 2012 a new agreement was signed by the Ministry of Finance on behalf of the Government 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 lending market.

The Fund’s exposure to currency and liquidity risk related to borrowings from the MoF is disclosed in note 19.

17 Grants related to income

AMD'000	2012	2011	1 January 2011
		Restated	Restated
Current	**58,322**	**56,831**	**149,521**

Movement in current grants related to income is as follows:

AMD'000	2012	2011
		Restated
Balance at 1 January	56,831	149,521
Contributions received	211,106	604,831
Other expenses	(8,877)	-
Contributions recognized as income (see note 7)	(200,738)	(697,521)
Balance at 31 December	**58,322**	**56,831**

18 Trade and other payables

'000 AMD	2012	2011	1 January 2011
		Restated	Restated
Accruals	9,708	9,872	4,069
Payables to the MoF	8,876	-	-
Other payables	8,804	-	-
Payables to suppliers	8,577	13,603	107,514
Payables on taxes other than on income	4,940	2,313	10,187
Payables to employees	163	253	-
	41,068	**26,041**	**121,770**

The Fund's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 19.

19 Risk management

(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 framework

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:

	Carrying amount	
'000 AMD	**2012**	**2011**
Loans issued	1,793,023	1,982,148
Trade and other receivables	15,977	5,947
Term deposits with banks	1,929,070	-
Cash and cash equivalents	311,584	1,921,911
	4,049,654	**3,910,006**

(i) Cash and cash equivalents

The Fund held cash and cash equivalents of AMD 311,584 thousand at 31 December 2012 (2011: AMD 1,921,911 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

The Fund held term deposits of AMD 1,929,070 thousand at 31 December 2012 (2011: nil), which represents its maximum credit exposure on these assets. The term deposits are held with a reputable Armenian bank and the Fund does not expect it to fail to meet its obligations.

(iii) Loans issued

The Fund issued loans of AMD 1,793,023 thousand at 31 December 2012 (2011: 1,982,148 thousand), which represents its maximum 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).

(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.

2012

'000 AMD	Carrying amount	Contractual cash flows	Less than 6 mths	6-12 mths	1-2 yrs	2-5 yrs	Over 5 yrs
Non-derivative financial liabilities							
Borrowings from the MoF	3,697,222	4,249,984	13,748	13,976	77,664	302,441	3,842,155
Trade and other payables	36,128	36,128	36,128	-	-	-	-
	3,733,350	**4,286,112**	**49,876**	**13,976**	**77,664**	**302,441**	**3,842,155**

2011

'000 AMD	Carrying amount	Contractual cash flows	Less than 6 mths	6-12 mths	1-2 yrs	2-5 yrs	Over 5 yrs
Non-derivative financial liabilities							
Borrowings from the MoF (restated)	3,599,938	3,613,862	2,214,450	6,962	369,907	1,059,769	-
Trade and other payables (restated)	23,728	23,728	23,728	-	-	-	-
	3,623,666	**3,637,590**	**2,238,178**	**6,962**	**369,907**	**1,059,769**	**-**

(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 optimising the return.

(i) Currency risk

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

'000 AMD	**USD-denominated 2012**	**USD-denominated 2011**
		Restated
Loans issued	400,573	589,698
Trade and other receivables	2,015	3,252
Term deposits with banks	1,325,679	-
Cash and cash equivalents	200,326	1,252,266
Borrowings from the MoF	(1,953,952)	(1,866,602)
Trade and other payables	(2,050)	(3,081)
Net exposure	**(27,409)**	**(24,467)**

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2012	**2011**	**2012**	**2011**
1 USD equals AMD	402.12	372.81	403.58	385.77

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 2011.

'000 AMD	**Profit or loss**
31 December 2012	
USD (10% appreciation)	(2,741)
31 December 2011	
USD (10% appreciation)	(2,447)

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.

(ii) Interest rate risk

At the reporting date Fund’s interest-bearing financial instruments were loans issued (see note 12), term deposits with banks (see note 13), and Borrowings from the MoF (see note 16), which were at fixed rates. Changes in interest rates impact the loans issued, term deposits with banks and Borrowings from the MoF by 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.

20 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.

21 Operating leases

Non-cancellable operating lease rentals are payable as follows:

'000 AMD	**2012**	**2011**
Less than one year	**3,333**	**3,333**

During the year ended 31 December 2012 AMD 13,332 thousand (2011: AMD 16,794 thousand) was recognised as an expense in profit or loss in respect of operating leases, which is included in administrative expenses (see note 9).

22 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).

'000 AMD	**2012**	**2011**
Salaries and bonuses	**17,297**	**16,147**

(c) Transactions with the MoF

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

(i) Statement of comprehensive income

'000 AMD	**2012**	**2011**
Interest expense	**(23,956)**	**(24,466)**

(ii) Trade and other payables

'000 AMD	**2012**	**2011**
Trade and other payables	**8,876**	**-**

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

'000 AMD	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2012	**2011**	**2012**	**2011**
				Restated
Borrowings from the MoF	7,897	10,709	3,697,222	3,599,938
	7,897	**10,709**	**3,697,222**	**3,599,938**

23 Correction of prior period balances

In preparing financial statements for the year ended 31 December 2012 management identified the following matters related to 2011 financial statements that have been corrected in the corresponding figures presented in these financial statements:

- certain loans issued to PFIs and non-financial institution intermediaries had been netted off with borrowings from the MoF received for these program loans, while the criteria for offsetting were not satisfied;

- government grants have not been recognized in profit or loss on a systematic basis over the periods in which the entity recognized as expenses the related costs for which the grants were intended to compensate;

- grants related to income have been recognized in net assets attributable to the founder;

- certain foreign currency denominated balances had been incorrectly revalued.

- the borrowings from the MoF to the extent not allocated in the form of loans issued had been presented in the net assets attributable to the founder instead of presenting as a borrowing from the MoF;

- the amounts returned to revolving accounts of the Fund had been presented as accounts payable instead of borrowings from the MoF;

- impairment was not recognized for impaired loans issued.

The Fund's management has restated the comparative information in these financial statements. This and other restatements resulted in the following changes in the previously reported comparative information:

	'000 AMD
Statement of financial position as at 31 December 2011	
Assets	
Non-current assets	
Loans issued as previously reported	1,392,450
Gross-up of offset loans issued	519,370
Impairment on offset loans issued	(85,072)
Restated loans issued as at 31 December 2011	**1,826,748**

	’000 AMD
Current assets	
Trade and other receivables as previously reported	7,540
Other restatement	(1,593)
Restated trade and other receivables as at 31 December 2011	**5,947**
Loans issued as previously reported	-
Gross-up of offset loans issued	155,400
Restated loans issued as at 31 December 2011	**155,400**
Liabilities	
Current liabilities	
Borrowings from the MoF as previously reported	-
Gross-up of offset loans issued	(674,770)
Reclassification from trade and other payables	(131,171)
Reclassification of unallocated funds from net assets attributable to the founder	(1,407,053)
Other restatement	5,506
Restated borrowings from the MoF as at 31 December 2011	**(2,207,488)**
Grants related to income as previously reported	-
Reclassification from net assets attributable to the founder	84,124
Restatement of income from grants	37,280
Restatement of grants related to income as at 1 January 2011	(125,354)
Restatement of net foreign exchange gain	(51,675)
Other restatement	(1,206)
Restated grants related to income as at 31 December 2011	**(56,831)**
Trade and other payables as previously reported	(160,541)
Reclassification to prepayments received	8,827
Reclassification to borrowings from the MoF	131,171
Other restatement	(5,498)
Restated trade and other payables as at 31 December 2011	**(26,041)**
Net assets attributable to the founder	
Net assets attributable to the founder as previously reported	(1,787,815)
Reclassification of unallocated funds to borrowings from the MoF	1,407,053
Reclassification of unallocated funds to grants related to income	(84,123)
Restatements for the year ended 31 December 2010	125,354
Restatement of income from grants	(37,280)
Restatement of net foreign exchange gain	51,675
Restatement of impairment allowance on loans issued	85,072
Restated net assets attributable to the founder as at 31 December 2011	**(240,064)**

	’000 AMD
Statement of comprehensive income for the year ended 31 December 2011	
Income from grants, as previously reported	663,306
Restatement	37,280
Restated income from grants for the year ended 31 December 2011	**700,586**
Interest expense, as previously reported	(14,118)
Restatement of interest expense netted off	(10,348)
Restated interest expense for the year ended 31 December 2011	**(24,466)**
Income received from loans issued, as previously reported	92,288
Restatement of income netted off	10,348
Reclassification from income from operations - other	22,371
Reclassification of income received from loans issued from other income	22,688
Restated income received from loans issued for the year ended 31 December	**147,695**
Income from operations - other, as previously reported	22,371
Reclassification to income received from loans issued	(22,371)
Restated income from operations – other	**-**
Other income, as previously reported	31,198
Reclassification to income received from loans issued	(22,688)
Restated other income	**8,510**
Impairment losses on loans issued, as previously reported	-
Restatement	(40,036)
Restated impairment losses on loans issued for the year ended 31 December	**(40,036)**
Net foreign exchange gain, as previously reported	61,528
Restatement	(51,675)
Restated net foreign exchange gain for the year ended 31 December 2011	**9,853**
Profit for the year, as previously reported	78,531
Restatement of income from grants	37,280
Restatement of impairment losses	(40,036)
Restatement of net foreign exchange gain	(51,675)
Restated profit for the year ended 31 December 2011	**24,100**
Statement of financial position as at 1 January 2011	
Assets	
Non-current assets	
Loans issued as previously reported	1,392,450
Gross-up of offset loans issued	635,728
Impairment allowance on loans issued	(45,036)
Restated loans issued as at 1 January 2011	**1,983,142**

	’000 AMD
Current assets	
Loans issued as previously reported	-
Gross-up of offset loans issued	632,570
Restated loans issued as at 1 January 2011	**632,570**
Liabilities	
Current liabilities	
Borrowings from the MoF as previously reported	-
Gross-up of offset loans issued	(1,268,298)
Reclassification from trade and other payables	(117,877)
Reclassification of unallocated funds from net assets attributable to the founder	(700,635)
Restated borrowings from the MoF as at 1 January 2011	**(2,086,810)**
Grants related to income as previously reported	-
Reclassification of grants related to income from net assets attributable to the	(25,835)
Restatement of net foreign exchange gain and grant income	(125,354)
Other restatement	1,668
Restated grants related to income as at 1 January 2011	**(149,521)**
Trade and other payables as previously reported	(244,876)
Reclassification to prepayments received	10,965
Reclassification to borrowings from the MoF	117,877
Other restatement	(5,736)
Restated trade and other payables as at 1 January 2011	**(121,770)**
Net assets attributable to the founder	
Net assets attributable to the founder as previously reported	(1,112,824)
Reclassification of unallocated funds from net assets attributable to the founder	700,635
Reclassification of grants related to income from net assets attributable to the founder	25,835
Restatement of net foreign exchange gain and grant income	125,354
Restatement of impairment allowance on loans issued	45,036
Restated net assets attributable to the founder as at 1 January 2011	**(215,964)**