Annual Financial Statements and Independent Auditor's Report

“Armenia Renewable Resources and Energy Efficiency” Fund

For the year ended 31 December 2019

Note

This report was originally prepared in Armenian and then translated into English for the convenience of users. In case of discrepancies between the Armenian and English versions, the Armenian version should be considered a priority.

Content

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of "Armenia Renewable Resources and Energy Efficiency" Fund (hereinafter the "Fund"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Fund as at 31 December 2019, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 24 to the financial statements, which describes possible effects of subsequent events after the reporting date on financial statements of the Fund.

Other matter

The financial statements of the Fund for the year ended 31 December 2018 were audited by another auditor, who expressed unqualified opinion dated 22 April 2019.

Responsibilities of the management and those charged with governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operation, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

BDO

Tel: +374 60 528899
E-mail: bdo@bdoarmenia.am
www.bdoarmenia.am

23/6, Davit Anhaght Str.,
5th Floor, office 7
Yerevan, Armenia

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

"BDO Armenia" CJSC

Vahagn Sahakyan, FCCA
Managing partner

Gnel Khachatryan, FCCA
Engagement partner

30 April 2020
Yerevan

Armenia Renewable Resources and Energy Efficiency Fund
Statement of financial position
As at 31 December 2019

	Note	As at 31 December, 2019 AMD'000	As at 31 December, 2018 AMD'000
Assets			
Non-current assets			
Property and equipment	4	70,805	125,416
Right-of-use Asset (RUA)	13	51,638	-
Intangible assets		1,308	3,617
Accounts receivable	5	2,094,446	2,591,681
Borrowings provided	6	819,642	515,039
		3,037,839	**3,235,753**
Current assets			
Inventories		14,647	14,017
Accounts receivable	5	599,993	597,086
Borrowings provided	6	150,942	69,645
Term deposits	7	47,094	47,138
Current income tax assets		-	973
Cash and bank balances	8	177,774	474,512
		990,450	**1,203,371**
Total assets		**4,028,289**	**4,439,124**
Liabilities and net assets			
Non-current liabilities			
Lease liability: non-current	13	49,095	-
Grants related to assets	9	73,234	128,104
Borrowings received	10	3,633,233	3,732,399
		3,755,562	**3,860,503**
Current liabilities			
Lease liability: current	13	6,821	-
Borrowings received	10	85,270	85,770
Deferred income	11	12,831	332,721
Accounts payable	12	71,984	74,138
		176,906	**492,629**
Total liabilities		**3,932,468**	**4,353,132**
Net assets			
Accumulated result		**95,821**	**85,992**
Total liabilities and net assets		**4,028,289**	**4,439,124**

The financial statements were approved on 30 April 2020 by Armenia Renewable Resources and Energy Efficiency Fund on April 30, 2020 by:

Karen Asatryan
Director

Gayane Barkhanajyan
Financial Manager

Armenia Renewable Resources and Energy Efficiency Fund
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Note	2019	2018
		AMD'000	AMD'000
Income from grants	14	208,097	278,188
Finance income (borrowings provided)	15	37,139	15,995
Income from services	17	65,614	102,981
Other income		11,035	15,377
Project expenses	18	(128,555)	(278,188)
Administrative expenses	19	(168,776)	(148,507)
Finance costs	10	(28,182)	(29,076)
Result from operating activities		**(3,628)**	**(43,230)**
Impairment losses on financial assets	16	3,280	(31,962)
Finance income (term deposits)	15	2,869	6,768
Other financial results	20	17,973	(600)
Result before taxes		**20,494**	**(69,024)**
Income tax expense	21	(8,172)	(8,651)
Result for the year		**12,322**	**(77,675)**
Other comprehensive result		-	-
Total comprehensive loss for the year		12,322	(77,675)

Armenia Renewable Resources and Energy Efficiency Fund
Statement of Changes in Net Assets
For the year ended 31 December 2019

	Accumulated result	Total
	AMD'000	AMD'000
As of 1 January, 2018	**163,667**	**163,667**
Total comprehensive loss for the year	(77,675)	(77,675)
As at 31 December, 2018	**85,992**	**85,992**
As of 1 January, 2019	**85,992**	**85,992**
Effect of adobtion of IFRS 16 (note 22)	(2,493)	(2,493)
Result of the year	12,322	12,322
As at 31 December, 2019	**95,821**	**95,821**

Armenia Renewable Resources and Energy Efficiency Fund
Statement of Cash Flows
For the year ended 31 December 2019

	2019	2018
	AMD'000	AMD'000
Cash flows from operating activities		
Result for the year	12,322	(77,675)
Adjustments for:		
Depreciation and amortization	57,815	64,015
Right of Use Assets (Amortization)	8,607	-
Income tax expense	8,172	8,651
Interest Expenses	34,693	29,076
Interest income from borrowings and bank balances	(37,139)	(15,995)
Interest income from term deposits	(2,869)	(6,768)
Income from grants	(208,097)	(278,188)
Movement of the expected credit losses	(12,737)	29,149
Increase in expected credit losses on receivables	(2,301)	-
Increase in expected credit losses on term deposits	(361)	-
Foreign exchange rate losses	(17,973)	600
Operating result before working capital changes	*(159,868)*	*(247,135)*
Change in receivables	496,621	534,323
Change in inventories	(631)	112
Change in payables	(2,104)	(132,578)
	334,018	*154,722*
Interest paid	(28,289)	(29,163)
Income tax paid	(7,203)	(5,603)
Net cash from/ (used in) operating activities	**298,526**	**119,956**
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	(895)	(349)
Repayments of term deposits/(term deposits invested), net	(13)	46,823
Grants received and return of grants, net	(162,627)	170,778
Interest income received	41,459	19,854
Repayments of borrowings/(borrowings provided), net	(374,614)	(564,953)
Net cash from/(used in) investing activities	**(496,690)**	**(327,847)**
Cash flows from financing activities		
Repayment of borrowings	(81,242)	(80,151)
Repayment of lease	(13,332)	-
Net cash used in financing activities	**(94,574)**	**(80,151)**
Net decrease in cash and bank balances	**(292,738)**	**(288,042)**
Foreign exchange effect on cash	(4,000)	190
Cash and bank balances at the beginning of the year	**474,512**	**762,364**
Cash and bank balances at the end of the year	**177,774**	**474,512**

1. Nature of operations and general information

Armenia Renewable Resources and Energy Efficiency Fund (the “Fund”) has been established in accordance with the resolution N799 of the Government of the Republic of Armenia dated 28 April 2005. The founder of the Fund (the “Founder”) is the Republic of Armenia.

The objectives of the Fund are to:
- facilitate investments in the energy efficiency and renewable energy sectors;
- promote the development of Armenian energy efficiency and renewable energy market;
- contribute to the reduction of adverse anthropogenic impact on the environment and human health;
- develop mechanisms aimed at increasing energy safety and reliability of energy system;
- when respective authority is received from the Ministry of Finance of the Republic of Armenia (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.

This project envisages the following components:

Component 1 Program funds are provided to the participant financial institutions 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 2018-2019 the Fund implemented the following projects:
- "Energy Efficiency Project” was financed by the World Bank at the amount of US dollar 2.12 million, as well as by the Armenia Renewable Resources and Energy Efficiency Fund at the amount of US dollar 8.5 million using the available working capital resources. The working capital consists of the amounts provided to the Fund according to the agency agreement signed between the Fund and the Ministry of Finance on 30 July 2012, which were provided to the Fund to implement the Renewable Resources and Energy Efficiency Project. The Grant Project has been completed on 30 June 2016; however, the Project implementation is continued with the use of the working capital resources.
- "Project Preparation for Industrial Scope Solar Power Project", which is financed through project preparation grant TF0A0418 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 for the preparation of the expected project on industrial scope of solar energy, which includes the determining 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 costs. The Grant Project has been completed on 30 June 2019.
- "Geothermal Exploratory Drilling Project”, which is financed by the Grant Agreement TF0A0544 dated 16 June 2015 signed between the Government of the Republic of Armenia and the International Bank for Reconstruction and Development. The goal of the project is to perform exploratory drilling in Qarqar, a possible geothermal location, in order to assess the sufficiency of resources, approve the quality and attract the private sector to build a geothermal station. The ultimate goal of the project is to build geothermal station in Qarqar. The Grant Project has been completed on 31 May 2019.
- "Innovative Solutions for the Implementation of Sustainable Development Goals in Armenia (SDG)", which is funded in 2019. On the basis of the grant agreement N00109316-00108696 signed on July 15, 2010 between the Renewable Energy and Energy Efficiency Fund of Armenia and the United Nations Development Program. The project aims to reduce energy poverty in rural

communities by introducing a new generation of energy solutions. The total amount of the grant is $ 220,000, of which $ 165,000 has been provided to the Fund as a revolving fund. The turnover fund is used to provide borrowings to 200 families in partner non-gasified communities through partner banks and other financial institutions (Gegharkunik, Shirak) for the purchase and installation of solar water heaters and other photovoltaic modules.

- In 2017 "Community Based Energy Efficiency Improvement Project for Legal and Physical Entities in Non-gasificated Communities in Armenia"- Armenia Renewable Resources and Energy Efficiency Fund, "ACBA LEASING" CO CJSC, "Converse Bank" CJSC and "Global Credit" UCO CJSC signed contracts on energy efficiency improvement project in non-gasificated communities in Armenia. The purpose of the Project is the financing of investments in the pure energy sphere with the help of financial institutions. This is aimed at improving the energy-efficiency level in 280 communities of Armenia. The Project also pursues the objective to finance the investments in the sphere of clean energy development.
- The purpose of "Community Energy Efficiency Project" realized by the "Community Energy Efficiency Project"- Armenia Renewable Resources and Energy Efficiency Fund together with "ACBA-Credit Agricole Bank" CJSC, "Converse Bank" CJSC, is to finance the investments directed to the implementation of energy efficiency projects in the communities of the Republic of Armenia. The Project also pursues the objective to decrease non-efficient energy consumption and to increase the usage of pure, efficient, secure and cheap energy technologies. The work implemented will decrease the monthly amount paid for the energy spent on the electricity and water-proofing equalling it to zero in the future.
- The purpose of the "Provision of Engineering Advisory Services in the framework of German-Armenian Fund Project "Energy Efficiency for MSMEs"" Project (financed by KfW) is to support the financing of energy efficiency events in MSMEs of Armenia.

The legal address of the Fund is 1 Melik Adamyan street, Yerevan, Republic of Armenia.

The average number of employees of the Fund during 2019 was 20 (2018: 21).

2. Basis of Preparation

2.1 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the assumption that the Fund operates on a going concern basis.
Currently, IFRSs do not contain specific guidance for non-profit organizations and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where IFRSs do not give guidance on how to treat transactions specific to not for profit sector, accounting policies have been based on the general principles of IFRSs, as detailed in the International Accounting Standards Board ("IASB") The Conceptual Framework for Financial Reporting.

2.2 Adoption of New and Revised Standards

a) New standards, interpretations and amendments effective from 1 January 2019
- *IFRS 16 Leases (IFRS 16);*
- *IFRIC 23 Uncertainty over income tax treatment (IFRIC 23).*

Details of the impact these standards have had are given in note 22 below. IFRIC 23 has no material impact of the Financial Statements of the Fund.

b) New standards, interpretations and amendments not yet effective

There were no new standards, interpretations and amendments that are not yet effective that will have or may have an impact on the Company's future financial statements.

2.3 Basis of Measurement

The financial statements have been prepared on the historical cost basis, and fair values, as applicable.

2.4 Critical accounting estimates and judgments

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

2.4.1. The Going Concern Assumption

The Fund's financial statements are based on the principle of going concern, which means that assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

In recent years, the Found has suffered financial losses from operating activities. However, the management is convinced that the losses incurred by the Fund will not cause any problems in the realization of assets and dischargement of liabilities. According to the management, the Found will register positive results in the near future, as it has agreements with donor organizations to implement a number of programs (Note 1).

Based on the judgments made, the Fund’s management has a well-founded expectation that the Found will be able to continue its operational activities in the foreseeable future. Therefore, the Fund continues to adopt the going concern in the preparation of its financial statements.

2.4.2. Received and provided Borrowings

As noted in Notes 5, 6, and 10, the Fund received government borrowings with low interest rate providing energy savings programs and providing borrowings to financial institutions to finance similar programs.

The Fund is considered a non-profit organization and does not pursue the purpose of making a profit. The prices of the services provided, mainly on deferred payment schedule (note. 2.4.3) are set to cover the Fund's operating expenses for continuous service.

Taking into account that there is no corresponding financial market in Armenia to receive and provide borrowings with such sums and conditions, the balance values of the borrowings received and assessed by the Fund Management are in line with their feir values, and they have not been discounted by market interest rates. However, if the management's assessments of the above issue change, the Fund's financial statements will undergo significant changes.

2.4.3. Accounts receivable

a. The management is convinced that the receivables for energy efficiency services (energy efficiency investments and energy services) are the Fund's assets and should be included in the Fund's financial statement (despite the fact that the Fund is an agent of the Ministry of Finance of the RA) because.

- These services have been provided at the expense of the funds received from the Ministry of Finance of the Republic of Armenia. The Fund has an obligation to the latter.
- The bank bears foreign currency risk in the mentioned transaction, as more than half of the funds received from the Ministry of Finance of the RA are mechanized in US dollars, and the payments for energy services provided by the Fund are made in Armenian drams.

b. According to the management's assessment, the balance sheet values of receivables for energy efficiency services (energy efficiency investments and energy services) correspond to their feir values, and therefore they have not been discounted by market interest rates, taking into account note 2.4.2.

c. Accounts receivable shall be received by the Government of the Republic of Armenia, and the expected debt loss rates shall be based on the probability of default of the sovereign rating given to the Republic of Armenia by international rating agencies (S&P, Fitch or Moody's).

The RA sovereign rating given by S&P in 2018 was B +. In 2019, the RA sovereign rating of Ba2 provided to S&P compared to Moody's was used. The probability of default is adjusted to reflect current and future macroeconomic factors that affect the ability of the customer to repay the outstanding amount. The fund has set gross domestic product (GDP), external government debt, and economic activity as the most relevant factor, and regulates the level of historical losses for expected changes.

d. As of the reporting date, the receivables from energy efficiency investments include the cost of construction works that have not yet been commissioned, i.e. there are no final acts signed by the tripartite (Foundation-Contractor-Public Facility) regarding the construction works, which indicate that The works are accepted by public objects. In connection with this, there are only acts of acceptance of the current delivery of construction, which are signed by the two parties, the contractor through the Fund. Consequently, the Fund's receivables for non-commissioned constructions are not attributable to a specific partner. However, the Foundation's management estimates that the work will be completed on time and with proper quality, and the probability that it will be accepted by public facilities is high.

2.4.4. Leases

Determining the term of the leases in case of some leases, when the Fund acts as a lessee, including whether the Fund is reasonably convinced to apply the lease options (Note 22).
Determination of the interest rate deduction on rent (Note 22).

2.4.5. Fair value measurement

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)
Level 2: Observable direct or indirect inputs other than Level 1 inputs
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.
The fair value measurement is presented in note 29.

2.5 Functional and Presentation Currency

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

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

3. Significant Accounting Policies

3.1 Foreign Currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date, which is 479.70 drams for 1 US dollar and 537.26 drams for 1 euro as at 31 December 2019 (31 December 2018: 483.75 drams for 1 US dollar, 553.65 drams for 1 euro).

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

3.2 Property and equipment

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

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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

Depreciation is charged to the result for the year on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Machinery and equipment	-	4-5 years
Vehicles	-	5 years
Fittings	-	5 years
Other	-	1-5 years.

3.3 Leased Assets

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:
- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company’s incremental borrowing rate on commencement of the lease is used.

The right-of-use asset are initially measured by the amount of the lease liability less any lease incentives, plus the following:

• Lease fees made on or before the start date of the lease
• Any direct costs incurred by the lessee
• An estimate of the costs that the tenant will incur when dismantling or demolishing the underlying asset.

After the initial recognition, the lease liability is increased by a percentage of the residual value and is reduced by the amount of payments made. The right-of-use assets are depreciated by the direct-line method during the remaining term of the lease or during the period of economic use of the underlying asset, if the latter is shorter than the lease term.

3.4 Financial Instruments

Recognition and Derecognition

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

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

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

Classification and Initial Measurement of Financial Assets

All financial assets are initially measured at fair value adjusted for transaction costs. Financial assets are classified into the following categories:

- amortized cost,
- fair value through profit or loss (FVTPL),
- fair value through other comprehensive income (FVOCI).

In the periods presented the Fund does not have any financial assets categorized as FVOCI.

The classification is determined by both:

- the Fund's business model for managing the financial asset,
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within "Impairment losses on financial assets". A summary of the Fund's financial assets by category is given in note 23.b.

Subsequent Measurement of Financial Assets

Financial Assets at Amortized Cost

A financial asset is classified as measured "at amortized cost" if it complies with the following two conditions and has not been designated as measured at FVTPL:

- It is held under a business model, which aims at holding assets to collect contractual cash flows; and
- Its contractual terms give rise to cash flows on the specified dates, which are solely interest payments on principal and outstanding principal.

The Fund makes use of a simplified approach in accounting for financial assets at amortized cost (accounts receivable, provided borrowings and term deposits) and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Fund uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Fund assess impairment of financial assets on a collective basis as they possess shared credit risk characteristics Refer to note 23 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Borrowings Provided

The Foundation creates an allowance for all portfolios, which are overdue by more than 90 days, because the historical experience shows that borrowings that are past due by more than 90 days are generally not recoverable. The borrowings that have objective evidence of impairment at the reporting date are included in “Stage 3”. The principal amounts and interests of overdue borrowings up to 30 days are included in “Stage 1”. "12-month expected credit losses" are recognized for the first category. The principal amounts and interests of overdue borrowings starting from 30 to 90 days are included in “Stage 2”, and "lifetime expected credit losses" are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Borrowings Received

Borrowings received are recognized initially at fair value, net of issuance costs associated with the borrowings. Subsequent to initial recognition, borrowings are stated at amortized cost with any difference between cost and redemption value recognized in the statement of profit or loss and other comprehensive income over the period of the borrowings on an effective interest basis. Interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance expenses.

Management's estimates and assumptions on the borrowings received are disclosed in note 2.4.2.

Trade and Other payables

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

3.5. Cash and Cash Equivalents

The Fund’s cash and bank balances, also called cash equivalents, comprise cash in hand, bank accounts, designated account balances of the Central Treasury, cash in transit and short-term investments with a maturity period of less than 3 months.

3.6 Grants

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

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

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

The grant provided to the Fund as a financial support (when no conditions are attached to the grant), is recognized in the result of the year when the Fund receives such a grant.

3.7 Income Tax

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

3.8 Employee Benefits

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

(a) wages, salaries and bonuses;
(b) paid annual leaves and paid disability leaves.

3.9 Revenue

Revenue of the Fund arises from the contributions received, rendered services, interests on the borrowings provided by the Fund, etc.

To determine whether to recognize revenue, the Fund follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied

Revenue is recognized either at a point in time or over time, when (or as) the Fund satisfies performance obligations by transferring the promised goods or services to its customers.

4. Property and equipment

AMD'000	*Machinery and equipment*	*Vehicles*	*Computers and equipment*	*Fixtures and fittings and other*	*Total*
Cost					
As at 1 January, 2018	**279,040**	**29,470**	**41,324**	**14,664**	**364,498**
Additions	138	-	-	211	**349**
As at 31 December, 2018	**279,178**	**29,470**	**41,324**	**14,875**	**364,847**
Addition	-	-	-	895	**895**
As at 31 December, 2019	**279,178**	**29,470**	**41,324**	**15,770**	**365,742**
Accumulated depreciation					
As at 1 January, 2018	103,356	25,680	35,155	14,037	**178,228**
Charge for the year	55,649	2,934	2,235	385	**61,203**
As at 31 December, 2018	**159,005**	**28,614**	**37,390**	**14,422**	**239,431**
Charge for the year	51,892	856	2,112	646	**55,506**
As at 31 December, 2019	**210,897**	**29,470**	**39,502**	**15,068**	**294,937**
Carrying amount					
As at 1 January, 2018	175,684	3,790	6,169	627	186,270
As at 31 December, 2018	120,173	856	3,934	453	125,416
As at 31 December, 2019	**68,281**	**-**	**1,822**	**702**	**70,805**

Depreciation expense has been allocated as follows:

	2019	2018
	AMD'000	**AMD'000**
Administrative Expenses	1,486	3,314
Project Expenses	54,020	57,889
	55,506	**61,203**

As at 31 December 2019 the cost of the property and equipment of the Fund with nil carrying amount is 86,041 thousand AMD (as at 31 December 2018: 79,340 thousand AMD).

5. Accounts Receivable

	As at 31 December, 2019	As at 31 December, 2018
	AMD’000	AMD’000
Current		
Accounts receivable	599,522	596,808
Allowances for credit losses	(1,794)	(1,215)
	597,728	*595,593*
Advances and prepayments	1,550	1,298
Other	715	195
	599,993	**597,086**
Non- current		
Accounts receivable from energy efficiency investments	2,101,444	2,596,957
Allowances for credit losses	(6,998)	(5,276)
	2,094,446	**2,591,681**
Total trade and other receivable	**2,694,439**	**3,188,767**
Including receivables measured at amortized cost	***2,692,174***	***3,187,274***

Advances and prepayments include the amounts paid to the following organizations:

	As at 31 December, 2019	As at 31 December, 2018
	AMD’000	AMD’000
Lease	1,000	-
Other	550	1,298
	1,550	**1,298**

Receivables from energy efficiency investments and services consist of the following components:

	As at 31 December, 2019		As at 31 December, 2018	
	Current	Non-current	Current	Non-current
	AMD’000	AMD’000	AMD’000	AMD’000
Energy efficiency	595,515	2,101,444	593,815	2,596,957
Energy service	4,007	-	2,993	-
	599,522	**2,101,444**	**596,808**	**2,596,957**

The description of receivables from services on energy efficiency is disclosed below.
According to the resolution No. 174-N of the Government of the Republic of Armenia dated February 16, 2012 and the agency contract concluded between the Fund and the Ministry of Finance of the Republic of Armenia in 2012, the Ministry of Finance of the Republic of Armenia has transferred cash resources to the Fund under its custody to further finance the implementation of energy efficiency and renewable energy project. These resources were provided to the Fund at the interest rate of 0.75% and with the maturity period until 2045.
These resources are recognized in the statement of financial position as borrowings received, and the accrued interest expenses on these funds received are presented in the statement of profit or loss and other comprehensive income as finance costs (refer to note 10).
The Fund implements the "Energy Efficiency Project" using the resources received in its custody from the Ministry of Finance of the Republic of Armenia as well as those received from the Grant agreement TF012163 concluded between the International Bank for Reconstruction and Development and the Government of the Republic of Armenia on 20 April 2012. In the framework of the Project the Fund makes investments in public facilities in the form of rendering of services, which consist of two components:

a) energy efficiency investments; and

b) energy services.

These services are provided by the Fund as follows:

- the Fund selects beneficiaries (public facilities), which have functional and realistic mechanisms available to secure the timely redemption of the borrowed resources. Then the Fund concludes contracts with contractors, which oblige the contractors to implement construction works in the public facilities selected in advance to ensure the defined energy efficiency level (component 1-energy efficiency investments);
- the Fund implements preparation, investigation in the energy sector, procurement, financial management, monitoring, energy efficiency measurements and assurances, as well as other services in relation to "Energy Efficiency Project" (component 2-power services).

In order to implement energy efficiency services, the Fund, signs contract with the contractor for construction works, and at the same time concludes energy efficiency services provision contract with the beneficiary (public facilities). This contract defines the cost of energy efficiency services (energy efficiency investments and energy services) rendered by the Fund, as well as the redemption schedule for the deferred payments of this cost. As a result, in the statement of financial position the Fund recognizes receivables on the services of energy efficiency (energy efficiency investments).

The Fund recognizes the receivables on energy services in relation to the component 2, when the services are provided. Income from energy services is presented in the statement of profit or loss and other comprehensive income under income from services (refer to note 17).

The net carrying value of trade receivables is considered a reasonable approximation of fair value.
All of the Fund's accounts receivable have been reviewed for indicators of impairment. The accounts receivables are mostly from public facilities (government entities).
Note 23(d) includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses

6. Borrowings Provided

	Principal amount in Original currency	*Original currency*	*Main contract Commencement date*	*Main contract maturity date*	*Interest rate (%)*	*Balance as at December 31 (in thousand drams)*				*Interest income (in thousand drams)*	
						2019		2018		2019	2018
						Principle	Interest	Principle	Interest		
ACBA Credit Agricole Bank CJSC	196,455,540	AMD	21.04.2017	Up to 96 months	5%	173,104	808	108,257	395	6,989	3,882
ACBA Leasing CO CJSC	394,118,850	AMD	31.08.2017	Up to 96 months	3%-4%	349,316	1,126	176,532	515	10,044	2,773
Global Credit UCO CJSC	520,745,000	AMD	31.08.2017	Up to 96 months	3%-4%	455,210	1,613	318,227	823	15,841	5,053
						977,630	**3,547**	**603,016**	**1,733**	**32,874**	**11,708**
Expected credit losses						**(10,593)**	**-**	**(20,065)**	**-**		
						967,037	**3,547**	**582,951**	**1,733**		
Non-financial institution intermediaries	45,681	USD	01.04.2004	01.04.2014	5%	9,040	-	16,557	-	-	-
Non-financial institution intermediaries	185,535	USD	01.06.2010	01.06.2020	5%	86,013	28,134	86,013	23,882	4,265	4,287
Non-financial institution intermediaries	22,148	USD	01.06.2005	01.06.2015	5%	4,645	-	4,645	-	-	-
						99,698	**28,134**	**107,215**	**23,882**	**4,265**	**4,287**
Credit Losses											
Non-financial institution intermediaries						(9,040)	-	(16,557)	-		
Non-financial institution intermediaries						(86,013)	(28,134)	(86,013)	(23,882)		
Non-financial institution intermediaries						(4,645)	-	(4,645)	-		
						(99,698)	**(28,134)**	**(107,215)**	**(23,882)**		
						967,037	**3,547**	**582,951**	**1,733**	**37,139**	**15,995**

Movement of the allowance for doubtful borrowings and expected credit losses is presented below:

	As at 31 December, 2019	As at 31 December, 2018
	AMD'000	AMD'000
Balance at the beginning of the year	151,162	129,712
Increase in the allowance during the year	4,265	24,263
Derecognition of allowance (included in other income)	(17,002)	(2,813)
Balance at the end of the year	**138,425**	**151,162**

7. Term Deposits

Bank Name	Principal Amount	Currency	Commence - ment date	Maturity date	Rate (%)	Balance as at December 31 (AMD'000) 2019 Principle	2019 Interest	2018 Principle	2018 Interest
"Araratbank" OJSC	99,940	USD	06.09.2018	10.09.2020.	4.25%	47,941	-	48,346	-
						47,941	**-**	**48,346**	**-**
Expected credit losses						**(847)**	**-**	**(1,208)**	**-**
						47,094	**-**	**47,138**	**-**

8. Cash and Bank Balances

	As at 31 December, 2019	As at 31 December, 2018
	AMD'000	AMD'000
Current bank accounts	51,060	128,970
Designated accounts in the Central Treasury-agency contracts	126,327	25,481
Designated accounts in the Central Treasury-grant contracts	387	320,061
	177,774	**474,512**

Refer to note 23 for the currencies in which the Central Treasury and bank balances are denominated.

9. Grants Related to Assets

	2019	2018
	AMD'000	AMD'000
Balance at the beginning of the year	128,104	187,207
Additions (property and equipment and intangible assets)	79,734	-
Realized to income (under the grant agreement) *	(79,734)	-
Realized to income (refer to note 14)	(54,870)	(59,103)
Balance at the end of the year	**73,234**	**128,104**

(*) A grant has been provided by the United Nations Development Program as a revolving fund (note 1).

The balance at the end of the year of the grants related to assets has arisen from the property and equipment and intangible assets.

10. Borrowings Received

						Balance as at December 31 (AMD'000)				Interest Expense (AMD'000)	
						2019		2018		2019	2018
Name	*Principal amount in Original currency*	*Original currency*	*Commence-ment date*	*Maturity Date*	*Interest rate (%)*	*Principal*	*Interest*	*Principal*	*Interest*	*Interest*	*Interest*
Ministry of Finance of the Republic of Armenia	1,740,568	AMD	30.07.2012	10.11.2045	0.75%	1,597,883	1,706	1,632,688	1,744	12,140	12,402
Ministry of Finance of the Republic of Armenia	4,738,000	USD	30.07.2012	10.11.2045	0.75%	2,116,654	2,260	2,181,407	2,330	16,042	16,674
Total						**3,714,537**	**3,966**	**3,814,095**	**4,074**	**28,182**	**29,076**

Borrowings received are resources, which, according to the contract concluded between the Fund and the Ministry of Finance of the Republic of Armenia, are provided to the custody of the Fund by the Ministry of Finance of the Republic of Armenia for the implementation of "Energy Efficiency Project". In the framework of the Project the Fund makes energy efficiency investments in the public buildings. For the implementation of these investments the Fund concludes contracts with the beneficiaries; at the same time, it concludes energy efficiency services provision contracts with the public facilities, which define the deferred redemption schedule of the cost of services to be rendered to public facilities.

Refer to note 23 for more information about the Fund's exposure to foreign currency risk.

11. Deferred Income

	2019	2018
	AMD'000	AMD'000
Balance at the beginning of the year	332,721	381,028
Additions	114,715	170,778
Return of grants	(277,342)	-
Transferred to grant related to assets	(79,734)	-
Income recognition (refer to note 14)	(73,493)	(219,085)
Income from exchange rate	(4,036)	-
Balance at the end of the year	**12,831**	**332,721**

The balance of deferred income at the end of the year consists of the following sources:

	As at 31 December, 2019		As at 31 December, 2018	
	International Development Association	RA Government	International Development Association	RA Government
	AMD'000	AMD'000	AMD'000	AMD'000
"Solar power project preparation"	10,657	-	45,284	2,547
"Geothermal exploratory drilling project"	406	-	281,588	1,538
"Energy efficiency project"	1,764	-	1,764	-
"Investment Plan Preparation Program"	4	-	-	-
	12,831	**-**	**328,636**	**4,085**

12. Accounts Payable

	As at 31 December, 2019	As at 31 December, 2018
	AMD'000	AMD'000
Payables on works and services	16,734	9,517
Total	***16,734***	***9,517***
Advances from customers	41,311	50,452
Employee benefits	10,426	8,932
Taxes and duties payable	3,383	5,121
Other	130	116
	71,984	**74,138**

The fair value of accounts payable measured at amortised cost does not materially differ from their carrying value.

Taxes and duties payable include the balances on the following types of duties:

	As at 31 December, 2019	As at 31 December, 2018
	AMD'000	AMD'000
Value Added Tax	1,047	779
Taxes on employees' benefits	2,266	4,211
Other	70	131
	3,383	**5,121**

No interest is charged on payables.

13. Leases

The Fund rents office space in Yerevan. The lease started in 25 August 2017 and ends on 31 August 2025. The lease can be cancelled at the request of either party by notifying the other party 4 months in advance. The monthly rent is 1,110 thousand drams (including income tax).

Right-of-use Asset and Lease liability has been recognized since 1 January 2019 (note 22).

Right-of-use Asset

	Land and building
	AMD’000
At 1 January 2019	60,244
Amortisation	(8,606)
At 31 December 2019	**51,638**

Lease Liabilities

	Land and building
	AMD’000
At 1 January 2019	62,737
Interest expense	6,511
Lease payments	(13,332)
At 31 December 2019	**55,916**

14. Income from Grants

	2019	2018
	AMD’000	AMD’000
Income from grants related to assets (note 9)	54,870	59,103
Income from grants related to assets (note 9)	79,734	-
Income from deferred income (note 11)	73,493	219,085
	208,097	**278,188**

15. Finance Income

	2019	2018
	AMD’000	AMD’000
Interest income from borrowings provided (note 6)	37,139	15,995
Interest income on bank account balances	2,869	6,768
	40,008	**22,763**

16. Impairment losses on financial assets

	2019	2018
	AMD’000	AMD’000
Derecognition of impairment loss on borrowings (loss)	5,219	(24,262)
Derecognition of impairment loss on term deposits (loss)	361	(1,208)
Recognition of impairment loss on accounts receivable	(2,300)	(6,492)
	3,280	**(31,962)**

17. Income from Services

	2019	2018
	AMD'000	AMD'000
Consulting services	19,833	19,684
Energy services	45,781	49,964
Other	-	33,333
	65,614	**102,981**

18. Project Expenses

	2019	2018
	AMD'000	AMD'000
"Geothermal exploratory drilling project"	3,121	19,511
"Solar power project preparation"	45,290	199,574
"Energy efficiency project"	192	-
"Innovative Solutions for the Implementation of Sustainable Development Goals in Armenia	25,082	-
	73,685	***219,085***
Depreciation and amortisation of the property and equipment	54,870	59,103
	128,555	**278,188**

19. Administrative Expenses

	2019	2018
	AMD'000	AMD'000
Employee benefits	110,757	102,329
Services received	13,159	13,424
Depreciation and amortisation	11,551	4,912
Lease expenses	6,511	13,332
Audit and consulting services	4,750	3,286
Trip and representation expenses	3,129	2,370
Office and utility expenses	2,204	858
Post and Communication expenses	2,192	598
Bank and insurance charges	2,042	2,130
Other	12,481	5,268
	168,776	**148,507**

20. Other financial results

	2019	2018
	AMD'000	AMD'000
Borrowings provided and accounts receivable	(506)	(1,885)
Financial assets measured at amortized cost	18,479	1,258
	17,973	**(600)**

21. Income Tax Expense

	2019	2018
	AMD'000	AMD'000
Current tax expense	8,172	8,651
	8,172	**8,651**

According to the RA Tax legislation, the profit tax rate for 2019 is set at 20% (2018: 20%). Since 2020, the profit tax rate has been set at 18%.

Reconciliation of effective tax rate is as follows:

	2019		2018	
	AMD'000	(%)	AMD'000	(%)
Result before taxation (under IFRSs)	**20,494**		**(69,024)**	
Tax calculated at a tax rate of 20% (2018 20%)	4,099	20.0%	(13,805)	20.0%
The impact of exchange rate differences	(3,595)	(17.5%)	120	(0.2%)
(Non-taxable)/non-deductable items, net	7,668	37.4%	22,336	(32.4%)
Income tax expense	**8,172**	**39.9%**	**8,651**	**(12.6%)**

The reporting and non-deductible expenses of the previous years are mainly conditioned by the non-deduction of some administrative expenses.

22. The effect of changing IFRS 16

The foundation made the transition to IFRS 16 in 2019 on January 1. The Foundation has decided not to provide comparative data as a result of the adoption of this standard. As a result, the revised claims were not reflected in last year's financial statements. Instead, these changes were made on the first adoption date of the standard (January 1, 2019) and were recognized in the initial balance of equity.

IFRS 16 provides a unified tenant accounting model that requires the recognition of assets and liabilities for all leases, as well as the ability to exclude short-term (up to 12 months) leases and those whose underlying asset is undervalued.

As a result of the adoption of IFRS 16, the Fund recognized active and lease liability for the following rights:

IAS 17	IFRS 16	
	Right of Use Assets	Lease Liability
Operating lease	Office space: the right to use the asset is measured by the amount of the lease liability, adjusted by the amount of lease prepayments or debts	It was measured by the current value of rents, at the rate of attraction of additional borrowed funds by the discounted Fund as of 1 January, 2019. The Fund's additional borrowing rate is equal to the rate at which the Fund has the opportunity to attract borrowed funds regardless of the lender. The weighted average rate of 11.0% was used in the calculations.
13,332 thousand drams - annual rent	60,244 thousand drams as of 01.01.2019	62,737 thousand drams as of 01.01.2019

23. Financial Risk Management

The Fund is exposed to various risks in relation to financial instruments. The main types of risks are

- Credit risk,
- Fair value or cash flow interest rate risk,
- Foreign exchange risk,
- Other pricing risks,
- Liquidity risk.

In common with all other businesses, the Fund is exposed to risks that arise from its use of financial instruments. This note describes the Fund's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Fund's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

(a) ***Principal financial instruments***

The principal financial instruments used by the Fund, from which financial instrument risks arise, are as follows:

- Accounts Receivable,
- Borrowings provided,
- Term deposits,
- Cash and cash balances,
- Accounts Payable,
- Lease Liability,
- Borrowings Received:

(b) Financial instruments by category

The balances presented in the Financial Statements concern the following categories of assets and liabilities:

	2019	2018
	AMD'000	AMD'000
Financial assets measured at amortised cost		
Accounts receivable	2,692,175	3,187,274
Borrowings provided	970,583	584,684
Cash and bank accounts	177,774	474,512
Term deposits	47,094	47,138
	3,887,626	**4,293,608**
Financial liabilities measured at amortised cost		
Borrowings received	3,718,503	3,818,169
Lease liability	55,916	-
Accounts payable	16,734	9,517
	3,791,153	**3,827,686**

(c) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, borrowings provided, term deposits, accounts payable, accounts receivable, borrowings received and lease liability.

Due to their short-term nature, the carrying value of cash and cash equivalents, borrowings provided, term deposits, accounts payable, accounts receivable, borrowings received and lease liability approximates their fair value.

For details of the fair value hierarchy, valuation techniques, and significant unobservable inputs related to determining the fair value, which are classified in level 3 of the fair value hierarchy, refer to Note 29.

(d) General Objectives, Policy and Processes

The purpose of the Fund is to define a policy that will reduce the risk as much as possible without affecting its competitiveness and flexibility. The details of that policy are presented below.

Market Risk

During the use of financial instruments, the Fund is subject to market risk, especially foreign exchange risk, which arises from both operational and investment activities:

Foreign exchange risk

The Fund undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Exposures to currency exchange rates arise from the Fund's borrowings received, which are primarily denominated in US dollar.

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

As at 31 December, 2019	**USD**	**EUR**
	AMD'000	**AMD'000**
Financial assets		
Cash and bank balance	8,991	11
Term deposits	47,941	-
	56,932	**11**
Financial liabilities		
Borrowings received	2,116,653	-
	2,116,653	**-**
Net position	**(2,059,721)**	**11**

As at 31 December, 2018	**USD**	**EUR**
	AMD'000	**AMD'000**
Financial assets		
Cash and bank balance	439,132	8,032
Term deposits	49,911	-
	489,043	**8,032**
Financial liabilities		
Borrowings received	2,181,407	-
	2,181,407	**-**
Net position	**(1,692,364)**	**8,032**

The following table details the Fund's sensitivity to a 10% (2018: 10%) increase and decrease in dram against US dollar and Euro. 10% (2018: 10%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2018: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Euro by 10% (2018: 10%) then this would have had the following impact:

	USD impact		EUR impact	
	2019	2018	2019	2018
Result	(206,057)	(169,236)	1	803
	(206,057)	(169,236)	1	803

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

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund is exposed to credit risk from financial assets, including cash and cash equivalents held at banks, accounts receivable, borrowings provided and term deposits.

The credit risk is managed on a group basis based on the Fund's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

The Fund continuously monitors the credit quality of customers. Where available, external credit ratings and/or reports on customers are obtained and used. The Fund's policy is to deal only with credit worthy counterparties. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Accounts receivable consist of a large number of customers. The Fund does not hold any security on the trade receivables balance. In addition, the Fund does not hold collateral relating to other financial assets.

Accounts Receivable

The Fund applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all accounts receivable as these items do not have a significant financing component and from public facilities.

In measuring the expected credit losses, the accounts receivable has been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

As at 31 December, 2019

	Expected credit loss	Gross carrying amount	Lifetime expected credit loss
Current			
Energy efficiency investments		595,515	
Energy services		4,008	
	0.30%	599,523	1,794
Non-current			
Energy efficiency investments		2,101,444	
	0.30%	2,101,444	6,998
Total		**2,700,967**	**8,792**

Borrowings Provided

Targeted borrowings are provided to financial and non-financial institution intermediaries and commercial banks for implementation of "Community Based Energy Efficiency Improvement Project for Legal and Physical Entities in Non-gazificated Communities in Armenia" Project (see note 1). Financial institutions (credit organizations and commercial banks) bears the collectability risk of the borrowings provided. The collectability of borrowings provided through non-financial institution intermediaries is secured by the repayments of the final borrower. These borrowings are fully provided.

Provided borrowings are not secured.

Term Deposits

The expected credit loss rates are based on the change notches external credit rating. For this criterion, the corporate rating will be taken into the account. A significant change notches in the credit score assigned by the Big Three credit rating agencies (Standard & Poor's, Moody's, and Fitch) is indicative of a significant increase in credit risk.

Liquidity Risk

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

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

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

2019 AMD'000	Non-interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)		0.75%	
Less than 6 months	-	44,739	44,739
6 months to 1 year	27,291	40,529	67,820
1-5 years	-	325,169	325,169
More than 5 years	-	3,308,066	3,308,066
	27,291	**3,718,503**	**3,745,794**

2018 AMD'000	Non-interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)		0.75%	
Less than 6 months	-	44,922	44,922
6 months to 1 year	18,565	40,848	59,413
1-5 years	-	327,562	327,562
More than 5 years	-	3,404,837	3,404,837
	18,565	**3,818,169**	**3,836,734**

The Fund considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources and accounts receivable.

24. Events after the reporting date

Given the new type of coronavirus (COVID-19) wide geographical distribution, especially after the reporing dateand its invasion to Armenia, amd its territory, as well as the Government's decision to set emergent situation from the period from March 16 to May 14, 2020, the Management of the Fund believes that the situation may have an adverse effect on the Fund; in particular it may leas to:

- Borrowings to Banks and Financial Organizations may be impacted by COVID-19 and, therefore, may be at risk of non-performance. Additionally, particular borrowers may be experiencing financial difficulty, in which case the Fund may work with those borrowers to attempt to collect amounts due by restructuring the arrangement or offering concessions to the borrowers to mitigate expected losses. Borrowings from customers are measured for collectability through recognition of an allowance for credit losses. Provided the Company has adopted IFRS 9, Financial Instruments, according to which expected losses are recognized based on historical experience, current conditions, and reasonable and supportable forecasts, the impacts of COVID-19 may necessitate adjustments to these estimates, particularly the forecasts of expected losses.
- Increasing the risk of collectability of accounts receivable from public sector organisations.
- Increasing the prices of construction and other matterials, which will lead to increasing expenses on Energy efficiency projects, which will decrease the volume of the projects implemented.

Given the daily evolution of the COVID-19 outbreak, the Fund is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity on the Financial Statements:

25. Contingencies

25.1 Business Environment

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis.
Deterioration of economic situation of countries collaborating with the Republic of Armenia led to the shortage of money transfers from abroad, upon which the economy of Armenia is significantly dependent. Further decline in international prices of mining products, uncertainties due to possibilities of attraction of direct capital investments, inflation, may lead to deterioration of the situation of Armenian economy and of the Fund.
However, as the number of variables and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Fund may be affected.
Management of the Fund believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Fund.

25.2 Taxes

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

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

25.3 Environmental matters

Management is of the opinion that the Fund has met the Government's requirements concerning environmental matters and, therefore, believes that the Company does not have any current material environmental liabilities. However, environmental legislation in Armenia is in process of development and potential changes in the legislation and its interpretation may give rise to material liabilities in the future.

26. Cash and bank balances

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

	As at 31 December, 2019	As at 31 December, 2018
	AMD'000	AMD'000
Bank balances	177,774	474,512
Short-term investments	-	-
	177,774	**474,512**

27. Reconciliation of liabilities arising from borrowings received

The changes in the Fund's liabilities arising from borrowings received and lease liabilities can be classified as follows:

2019	Long-term Borrowings	Lease	Total
	AMD'000	*AMD'000*	*AMD'000*
as at 1 January	**3,818,169**	**-**	**3,818,169**
Cash flows			
Repayments (principal amount)	(81,242)	(6,821)	(88,063)
Repayments (interests)	(28,290)	(6,511)	(34,801)
Non-cash			
Interest accrual	28,182	6,511	34,693
Recognition	-	62,737	62,737
Foreign exchange gain	(18,316)	-	(18,316)
As at 31 December	**3,718,503**	**55,916**	**3,774,419**

2018	Long-term Borrowings	Lease	Total
	AMD'000	*AMD'000*	*AMD'000*
as at 1 January	**3,899,720**	**-**	**3,899,720**
Cash flows			
Repayments (principal amount)	(80,151)	-	(80,151)
Repayments (interests)	(29,163)	-	(29,163)
Non-cash			
Interest accrual	29,076	-	29,076
Foreign exchange gain	(1,313)	-	(1,313)
As at 31 December	**3,818,169**	**-**	**3,818,169**

28. Related Parties

28.1 Control relationships

The Fund's founder and the final controller is the Republic of Armenia.

28.2 Transactions with Management

Key management received the following remuneration during the year, which is included in employee benefits.

	2019 AMD'000	2018 AMD'000
Salaries and Bonuses	13,032	15,677
	13,032	**15,677**

28.3 Transactions with the Ministry of Finance of the Republic of Armenia

	2019 AMD'000	2018 AMD'000
Payments of borrowings	81,242	80,151
Interest expense	28,182	29,076
	109,424	**109,227**

29. Fair Value measurement disclosures

The following table sets out the assets and liabilities whose fair values have been disclosed in the notes.

Item	Fair value AMD'000	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Borrowings provided	970,584	*Currenct and non-current* Note. 2.4.2	Level 3	N/A
Term deposits	47,094	*Current* The carrying amount of short term (less than 12 months) receivables balance approximates its fair value	Level 3	N/A
Accounts Receivable	2,694,439	*Currenct and non-current* Note. 2.4.3	Level 3	N/A
Borrowings Received	3,718,503	*Currenct and non-current* Note. 2.4.2	Level 3	N/A
Lease Liability	55,916	*Ընթացիկ և ոչ ընթացիկ* Discounted with current market interest rates	Level 2	N/A
Accounts Payable	16,734	*Ընթացիկ* The carrying amount of short term (less than 12 months) receivables balance approximates its fair value	Level 3	N/A