"ANIV" UNIVERSAL CREDIT ORGANIZATION LLC

FINANCIAL STATEMENTS

in Armenian Drams

31 DECEMBER 2013

BAKER TILLY
ARMENIA

YEREVAN 2014

CONTENTS

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ARMENIA

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17 February, 2014

N 011401

CONFIRMED BY:

P. GEVORGYAN

Managing Partner
Baker Tilly Armenia CJSC

License for auditing N054 awarded by Ministry of Finance and Economy of the Republic of Armenia

INDEPENDENT AUDITOR'S REPORT

To the Participants of Aniv UCO LLC

We have audited the accompanying financial statements of Aniv Universal Credit Organization Limited Liability Company (hereinafter, the Organization), which comprise the Statement of Financial Position as of December 31, 2013, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the reporting year, as well as the summary of the accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS). This responsibility includes development, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements free from material misstatement due to fraud or error, selection and implementation of appropriate accounting policies, as well as preparation of reasonable accounting estimates relevant to present circumstances.

Auditor's responsibility

Our responsibility is to express an opinion of the given financial statements based on the conducted audit. We have carried out the audit according to the International Standards on Auditing. These standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatements.

Audit includes performing procedures to obtain audit evidence about the amounts and disclosures presented in the financial statements. The choice of the procedures depends on the auditor's judgment, including the assessment of the risks arising from the misstatements in the financial statements whether due to fraud or an error. In making those risk assessment, the auditor considers the internal control of "Aniv" UCO LLC over the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the present circumstances, but not for the purpose of expression of an opinion regarding the effectiveness of the Organization's internal control. The audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates carried out by the management, as well as evaluation of the overall presentation of financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of "Aniv" UCO LLC's financial position as at 31 December, 2013, and of its annual financial performance, changes in equity and cash flows for the period then ended in accordance with International Financial Reporting Standards.

Auditor

G. Assilian Kevork Assilian

17.02.2014

ANIV Universal Credit Organization

Statement of Comprehensive Income
For the year ended 31 December 2013

(in thousand AMD)

	Notes	2013	2012
Interest and similar income	4	96,298	82,543
Interest and similar expense	4	(19,524)	16,428
Net Interest Income		**76,774**	**66,115**
Income in the form of commissions and other payments	5	6,330	6,435
Net profit from foreign currency transactions	6	255	7,241
Other operating income	7	6,734	5,959
Operating income		**90,093**	**85,750**
Income/(Loss) from loans and other borrowings	8	2,491	(12,467)
Expenses as regards employees	9	(40,740)	(29,762)
Other general administrative expenses	10	(16,024)	(16,880)
Other expenses	11	(3,082)	(1,430)
Profit before taxation		**32,738**	**25,211**
Profit tax expense	12	(3,953)	1,634
Profit after taxation		**28,785**	**23,577**
Other comprehensive income		-	-
Total comprehensive income		**28,785**	**23,577**

Edgar Galstyan
Executive Director

Ashot Manukyan
Chief Accountant

Approval Date: 17.02.2014

ANIV Universal Credit Organization

Statement of Financial Position
As at 31 December 2013

(in thousand AMD)

	Notes	2013	2012
ASSETS			
Cash means and bank accounts	13	7,046	792
Means allocated at banks	14	14,850	38,251
Loans and other borrowings provided to customers	14	745,894	651,420
Fixed assets and intangible assets	17	2,006	3,385
Interest receivable		4,267	4,195
Other Assets	18	9,139	2,563
Total Assets		**783,202**	**700,606**
LIABILITIES	19	499,000	442,920
Reserves		1,320	1,320
Interest payable		5,031	4,251
Other Liabilities	20	4,532	2,581
Total Liabilities		**509,883**	**451,072**
EQUITY			
Charter Capital	21	170,000	170,000
General reserve		6,000	4,000
Accumulated profit		97,319	75,534
Total equity		**273,319**	**249,534**
Total Liabilities and Equity		**783,202**	**700,606**

Edgar Galstyan
Executive Director

Ashot Manukyan
Chief Accountant

Approval Date: 17.02.2014

Statement of Changes in Equity
For the year ended 31 December 2013

((in thousand AMD))

	Charter Capital	General Reserve	Retained Earnings	Total Equity
Balance as at 01 January, 2012	**170,000**	**3,290**	**52,667**	**225,957**
Comprehensive Income				
Profit for the Period	-	-	23,577	23,577
Internal Movement, including:				
Allocations to the general reserve	-	710	(710)	-
Balance as at 31 December, 2012	**170,000**	**4,000**	**75,534**	**249,534**
Balance as at 01 January, 2013	**170,000**	**4,000**	**75,534**	**249,534**
Transactions with shareholders, including:				
Decrease in Charter Capital	-	-	(5,000)	(5,000)
Comprehensive Income				
Profit for the Period	-	-	28,785	28,785
Internal Movement, including:				
Allocations to the general reserve	-	2,000	(2,000)	-
Balance as at 31 December, 2013	**170,000**	**6,000**	**97,319**	**273,319**

Edgar Galstyan
Executive Director

Ashot Manukyan
Chief Accountant

Approval Date: 17.02.2014

ANIV Universal Credit Organization

Statement of Cash Flows
For the year ended 31 December 2013

(in thousand AMD)

	2013թ.	2012թ.
Cash Flows from Operating Activities		
Interest received	102,561	88,453
Interest paid	(18,746)	(16,209)
Net commission amounts received	6,299	6,458
Salary paid and other equivalent payments	(43,288)	(25,771)
Taxes paid	(347)	(2,697)
Net Cash Flows before changes in operating assets and liabilities	**46,479**	**50,234**
Decrease (increase)/ in allocated means	(73,765)	(78,537)
Net Cash Flows from other operating activities	(17,391)	(16,437)
Net Cash Flows from Operating Activities	**(44,677)**	**(44,740)**
Cash Flows from Investing Activities		
Purchase of fixed and intangible assets	(190)	-
Net Cash Flows from Investing Activities	**(190)**	**-**
Cash Flows from Financing Activities		
Dividends Paid	(5,000)	0
Increase (decrease) of other borrowings received	56,080	38,900
Effect of exchange rate fluctuation on cash and cash equivalents	104	198
Net Cash Flows from Financing Activities	**51,184**	**38,900**
Net cash flows	6,317	(5,642)
Cash and cash equivalents at the beginning of the period	800	6,442
Cash and Cash Equivalents at the end of the period	**7,117**	**800**

Edgar Galstyan
Executive Director

Ashot Manukyan
Chief Accountant

Approval Date: 17.02.2014

Notes to Financial Statements

1. Main Activities of the Organization

"Aniv" Universal Credit Organization LLC (hereinafter, "the Organization") is a commercial organization representing a legal person. The Organization was registered according to the Decision № 364 A of the RA Central Bank as of December 27, 2008, Registration Certificate number 25

The Organization was registered with the Myasnikyan district tax agency as of January10, 2009 (Tax code: 01565655).

According to the Charter, the Organization's activity aims at the following:

- Providing loans and credits to those businesses which will enable the local socially vulnerable people to improve their social-economic conditions;
- Providing loans and credits to those institutions which promote creation of work places for the disadvantaged strata of the population;
- Providing loans and credits to those groups of population for whom the services of other financial institutions are not accessible;
- Providing loans and credits to the organizations and communities which contribute to the implementation of social programs, etc.

The organization's mailing and legal address is: RA, Yerevan, Nalbandyan 35/6.

The Organization does not have branches, however it has a representation in the RA Syunik Marz (Southern Representation).

The Organization's founder is "Aniv" Rural Small and Medium Business Support Foundation.

The average number of the organization's employees in 2013 is 10.

2. Basis for the Reports Preparation

Statement of Compliance

The Financial Statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS).

Measurement Basis

The financial statements have been prepared on a fair value basis for financial assets and liabilities at fair value through profit or loss and available for sale assets, except for those assets, for which a reliable measure of fair value is not available. Other financial assets and liabilities are stated at their amortized cost, and non-financial assets and liabilities are stated at their historical cost.

Functional and presentation currency

The Organization's functional currency is Armenian Drams (AMD), the national currency of the Republic of Armenia, which best reflects the economic substance of the events and circumstances underlying the Organization's activity.

Armenian Dram is the presentation currency for these financial statements. Financial information is presented in thousands of Armenian Drams.

Use of assessments and reasoning

For preparation of these financial statements in conformity with IFRS, the management has made a number of judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from these estimates.

The estimates and corresponding assumptions are regularly revised. The revised accounting estimates are recognized in the period of the revision and in the future periods affected.

Going Concern

These financial statements have been prepared based on the going concern principle which assumes that the assets are realized and the obligations are settled in the normal course of business.

3. Accounting Policy

Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Organization, and the revenue can be reliably measured. Expense is recognized to the extent that it is probable that the economic benefits will flow from the Organization, and the expense can be reliably measured.

Interest income and expense

Interest income and interest expenses are measured, recognized and recorded by the Organization using an accrual basis, irrespective of the time they are actually earned or incurred.

Income and expense from commissions and similar payments

Fees, commissions and other income and expense items are generally recorded using an accrual basis during provision of the services.

Recognition of exchange differences

Gains and losses resulting from foreign currency transactions include gains/(losses) from revaluation of assets or liabilities denominated in foreign currency.

Transactions in foreign currencies are translated to functional currency using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to functional currency using a rate of exchange ruling at the statement of financial position date. Exchange differences come forth from translation of foreign currency items as at reporting date are recognized as an income or expense.

The exchange rates at the year-end used by the Organization in the preparation of the financial statements are as follows:

	31 December 2013	31 December 2012
AMD/ 1US Dollar	405.64	403.58
AMD/ 1 Euro	559.54	532.24

Taxation

Profit tax comprises current and deferred tax. Profit tax is recognized in profit or loss except to the extent that it relates to transactions the results of which are recognized in equity, in which case it is recognized within equity as well.

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

Deferred taxes are calculated according to the method of liabilities of the financial statement. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities recognized in the financial reports, except for those cases when the deferred profit tax arises from the initial recognition of goodwill or of assets or liabilities in the transactions other than business combinations, and affects neither accounting nor taxable profit.

A deferred tax asset is recognized only to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied at the period when the assets are realized or the liabilities are settled, based on tax rates enacted within that period or within the reporting period.

There are also other operating taxes in the Republic of Armenia, which are assessed based on the Organization's activity. These taxes are recognized in the statement of comprehensive income under «other expenses».

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and unrestricted current account balances held with banks, which can be converted into cash at short notice and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortized cost. The statement of cash flows is prepared using the direct method.

Financial Instruments

The Organization recognizes financial assets and liabilities on its statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value, are accounted for between trade date and settlement date in the same way as for acquired instruments.
At initial recognition, financial assets and liabilities are measured at fair value plus, in the case of investments, expenses directly attributable to the transaction, except for the investments at fair value through profit or loss.

Subsequent to initial recognition, all financial liabilities, other than those designated at fair value through profit or loss (including financial liabilities held for sale), are measured at amortized cost using the effective interest rate method. After the initial recognition, financial liabilities carried at fair value through profit or loss are subsequently accounted for at fair value.

The Organization has classified its financial assets as follows: loans and accounts receivable, financial instruments carried at fair value through profit or loss, available-for-sale financial instruments and held-to-maturity investments. Investments are classified at the date of acquisition taking into account the norms set out by the management.
Subsequent to initial recognition, the Organization can, in case of possibility and per necessity, reclassify its financial assets at the end of each financial year.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments, which arise when the Credit Organization provides money directly to a debtor with no intention of trading the receivable.

Subsequently, the loan's carrying value is measured using the effective interest rate method. Loans to customers with no fixed maturities are accounted for under the effective interest rate method based on expected maturity. Loans to customers are carried net of any allowance for impairment losses.

Impairment of financial assets

At each reporting date the Organization evaluates the extent to which a financial asset or a group of financial assets are impaired.

De-recognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Organization has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Organization either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Organization has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Organization's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Organization could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Asset possible loss reserve

Classification of the Organization's assets and formation of possible loss reserve is realized in accordance with the Regulation on classification of loans and accounts receivable and formation of possible loss reserve for banks operating within the territory of the Republic of Armenia.

Inventory

The accounting concerning inventory is carried in accordance with the IAS 2. Inventory is accounted for at the acquisition cost. The cost of ordinarily interchangeable inventory is assigned by using the first-in, first-out (FIFO) formula.

Leases

Lease of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under an operating lease are recognized as expenses in the statement of financial results.

Property, plant and equipment

Items of Property, plant and equipment ("PPE") that correspond to the assets recognition criteria are recorded at their initial value (cost). The initial value of the item of PPE includes the purchase price, taxes, import duties, and other mandatory payments, which are not refundable by the corresponding body.

An item of PPE is recorded at the initial value less accumulated depreciation, taking into account the accumulated impairment loss.

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset.

The estimated useful lives are as follows:

	Useful Life (years)
Office equipment	5
Computer equipment	1
Transportation means	5

Repairs and maintenance costs are recognized as an expense in the statement of comprehensive income at the time they have been incurred. The expenditures increasing the PPE's operational effectiveness as compared with the initially estimated normative data are recognized as capital expenditures and added to the asset's initial cost. These expenditures are amortized using the straight-line method based on the remaining useful life of the related asset, in case they do not exceed the fixed asset's residual value as at January 1 of the given year (the year when the mentioned expenditures have been added to the asset's value); otherwise, they are amortized over the whole useful life of the asset.

Gains and losses on disposals are determined as a difference between net income from the asset's realization and its carrying value, which is recognized in the statement of comprehensive income as an income or expense.

In case of material fluctuations of the PPEs fair (market) value, they are subject to revaluation. The revaluation results are reflected in the order established by the IAS 16.

Intangible assets

Intangible assets include computer software.

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight-line basis over the useful economic lives of 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives are not amortized, but tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Borrowings

Borrowings, which include amounts due to customers are initially recognized at fair value of the net income received, less directly attributable transaction costs. After initial recognition, the borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

Contributions to the Social Security Fund

The Organization transfers to the RA State Social Insurance Fund a certain percentage calculated on the basis of the employees salaries and does not set up any other special pension fund. The expenses in relation to the contributions to the mentioned Fund are reflected in the statement of comprehensive income of the period to which they relate.

Provisions

Provisions are recognized when the Organization has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably measured.

Offsetting

Financial assets and liabilities, and income and expenses, are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

4. Net Interest Income

	2013	AMD ths. 2012
Interest income		
Loans to customers	95,021	79,056
Time deposits with banks	1,277	3,487
Total interest income	**96,298**	**82,543**
Interest expense		
Loans and borrowings	(19,524)	(16,428)
Total interest expense	**(19,524)**	**(16,428)**
Net interest income	**76,774**	**66,115**

5. Commissions and Other Similar Income

	2013	AMD ths. 2012
Consumer loan servicing	6,330	6,435
Total commission income	**6,330**	**6,435**

6. Net Profit from Foreign Currency Transactions

	2013	AMD ths. 2012
Gains from foreign currency revaluation	11,891	15,316
Loss from foreign currency revaluation	(11,636)	(8,075
Total net profit from foreign currency transactions	**255**	**7,241**

7. Other Operating Income

	2013	AMD ths. 2012
Income from fines and penalties	5,522	5,328
Other income	1,212	631
Total other operating income	**6,734**	**5,959**

8. Gain/Loss from Loans and Other Borrowings

	2013	AMD ths. 2012
Income from recovering losses from loans, deposits, receivables	69,456	31,464
Provision for losses from loans, deposits, receivables	(66,965)	(43,931)
Total income/loss from loans and other borrowings	**2,491**	**(12,467)**

9. Expenses as regards employees

	2013	AMD ths. 2012
Salary	(27,266)	(21,331)
Bonuses	(10,623)	(3,193)
Annual leaves	(2,851)	(1,883)
Other payments as regards staff employed	-	(371)
Employer's Social contributions	-	(2,984)
Total expenses as regards employees	**(40,740)**	**(29.762)**

10. Other General Administrative Expenses

	2013	*AMD ths.* 2012
Lease of buildings and transportation means	(2,790)	(2,765)
Communication means	(1,095)	(1,329)
Vehicles maintenance and fuel	(6,866)	(6,311)
Audit	(1,320)	(1,320)
Issuing reports, visiting cards, queries, etc.	(419)	(397)
Stationery, computer accessories, cartridge loading	(253)	(111)
Software servicing expenses	(2,293)	(2,278)
Other administrative expenses	(988)	(2,369)
Total other general administrative expenses	**(16,024)**	**(16,880)**

11. Other Expenses

	2013	*AMD ths.* 2012
Depreciation allowances	(1,125)	(983)
Expenses as regards assets received as a gift	(445)	(445)
Other expenses	(1,512)	(2)
Total other expenses	**(3,082)**	**(1,430)**

12. Profit Tax Expense

	2013	*AMD ths.* 2012
Current tax expenses	(3,953)	(1,634)
Total profit tax expenses	**(3,953)**	**(1,634)**

13. Cash and Cash Equivalents

	2013	*AMD ths.* 2012
Current accounts with banks	7,117	800
Current accounts reserve (See. Note 16)	(71)	(8)
Total cash means and cash equivalents	**7,046**	**792**

14. Means Allocated in the Banks

	2013	*AMD ths.* 2012
Bank deposits	15,000	38,638
Reserve as regards possible loan losses (See. Note 16)	(150)	(387)
Total amounts due from financial institutions	**14,850**	**38,251**

ANIV Universal Credit Organization

15. Loans and Other Lending Provided to Customers

	2013	AMD ths. 2012
Gross Loans provided to customers	760,920	672,478
Loan impairment reserve (See. Note 16)	(15,026)	(21,058)
Total loans and lending provided to Customers	**745,894**	**651,420**

The Analysis of loans provided by economic sectors is as follows:

	2013	AMD ths. 2012
Agriculture	583,190	484,564
Industry	12,426	24,291
Construction	-	5,134
Trade	107,152	103,776
Transportation means and warehousing	37,646	19,359
Lodging and catering arrangement	1,597	2,984
Professional, scientific and technical activity	-	1,054
Health care	3,681	2,541
Other economic sectors	15,228	28,775
	760,920	**672,478**
Impairment allowance as regards loans	(15,026)	(21,058)
Total loans provided to customers	**745,894**	**651,420**

16. Loan and Other Lending Losses and Allowances for them

	2013	AMD ths. 2012
Allocated bank accounts		
Opening balance	**8**	**64**
Allocation to the reserve	1,142	762
Reserve utilization	(1,079)	(818)
Closing balance (See. Note 16)	**71**	**8**
Allocated bank deposits		
Opening balance	**386**	**850**
Allocation to the reserve	1,527	2,307
Reserve utilization	(1,763)	(2,771)
Closing balance (See. Note 16)	**150**	**386**
Allocated loans		
Opening balance	**21,058**	**7,424**
Allocation to the reserve	128,329	66,987
Reserve utilization	(134,361)	(53,353)
Closing balance (See. Note 16)	**15,026**	**21,058**
Receivables and other assets		
Opening balance	**26**	**13**
Allocation to the reserve	64	62
Reserve utilization	(50)	(49)
Closing balance (See. Note 16)	**40**	**26**

17. Property, Plant and Equipment and Intangible Assets

AMD ths.

	Office inventory	Computer equipment	Vehicles	Software	Total
Cost					
Balance as at 1 January 2013	48	938	4,889	2,227	8,102
Addition	-	190	-	-	190
Disposal or liquidation	-	-	-	-	-
Balance as at 31 December 2013	**48**	**1,128**	**4,889**	**2,227**	**8,292**
Depreciation					
Balance as at 1 January 2013	(34)	(938)	(2,037)	(1,708)	(4,717)
Increase	(4)	(143)	(978)	(444)	(1,569)
Decrease	-	-	-	-	-
Balance as at 31 December 2013	**(38)**	**(1,081)**	**(3,015)**	**(2,152)**	**(6,286)**
Carrying value as at 31.12.2013	**10**	**47**	**1,874**	**75**	**2,006**

AMD ths.

	Office inventory	Computer equipment	Vehicles	Software	Total
Cost					
Balance as at 1 January 2012	48	938	4,889	2,227	8,102
Addition	-	-	-	-	-
Disposal or liquidation	-	-	-	-	-
Balance as at 31 December 2012	**48**	**938**	**4,889**	**2,227**	**8,102**
Depreciation					
Balance as at 1 January 2012	(29)	(938)	(1,059)	(1,262)	(3,288)
Increase	(5)	-	(978)	(446)	(1,429)
Decrease	-	-	-	-	-
Balance as at 31 December 2012	**(34)**	**(938)**	**(2,037)**	**(1,708)**	**(4,717)**
Carrying value as at 31.12.2012	**14**	**-**	**2,852**	**519**	**3,385**

18. Other Assets

AMD ths.

	2013	2012
Accounts receivable and prepayments	4,034	2,589
Provision for receivables (See. Note 16)	(41)	(26)
Other liabilities	5,146	-
Total other liabilities	**9,139**	**2,563**

19. Borrowings Drawn from Customers

AMD ths.

	2013	2012
Borrowings drawn from residents (MCA-Armenia Program)	499,000	441,000
Borrowings drawn from non-residents	-	1,920
Total loans and borrowings drawn	**499,000**	**442,920**

20. Other Liabilities

	2013	2012
		AMD ths.
Amounts payable to suppliers	281	218
Salary and similar payments	197	268
Liabilities towards Budget	3,086	623
Other liabilities	968	1,472
Total other liabilities	**4,532**	**2,581**

21. Charter Capital

Charter Capital amounts to 170,000 thousand AMD, which comprises an investment of the Organization's sole Owner: "Aniv" Rural Small and Medium Business Support Foundation - 100%.

The announced, issued and circulated share capital is comprised of one ordinary share. The nominal value of the share is 170,000 thousand AMD. The Owner of the ordinary share is entitled to receive from time to time the announced dividends.

22. Contingent Liabilities

Tax and Legal liabilities

The taxation system in Armenia is characterized by frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, differing interpretations exist among various taxation authorities and jurisdictions.

Management believes that the Organization is carrying on its activity in compliance with all statutory requirements.

As of 31 December 2013, there were no legal actions and complaints taken against the Organization. Therefore, the Organization has not made any respective provision related to similar tax and legal matters.

23. Related Parties Transactions

In accordance with IAS 24 "Related Party Disclosure", parties are considered to be related if a party has an ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of the present financial statements, related parties include members of the Organization's Management and persons related to them, as well as other persons and enterprises related to and controlled by them respectively.

The Organization does not conduct transactions with related parties.

Compensations as regards the Organization's key management are presented below:

	2013	2012
		AMD ths.
Salary and other short term payments	15,677	10,495
Social insurance payments	-	861
Total compensation as regards key management	**15,677**	**11,356**

24. Maturity Analysis for Financial Assets and Liabilities

The table below shows the financial assets and liabilities analysis according to their expected settlement periods:

as at 31 December 2013

AMD ths.

	On demand and less than 1 month	1-3 month	3-12 month	1-3 year	more than 3 years	Total
Assets						
Cash and cash equivalents	22,117	-	-	-	-	**22,117**
Loans to customers	62,268	30,540	200,747	346,679	120,660	**760,894**
Other assets	7,020	8	-	-	3,957	**10,985**
	91,405	**30,548**	**200,747**	**346,679**	**124,617**	**793,996**
Liabilities						
Loans and borrowings	-	-	-	-	499,000	**499,000**
Other liabilities	5,515	-	-	-	-	**5,515**
	5,515	-	-	-	**499,000**	**504,515**
Net position	**85,890**	**30,548**	**200,747**	**346,679**	**(374,383)**	**289,481**
Accumulated gap	**85,890**	**116,438**	**317,185**	**663,864**	**289,481**	

as at 31 December 2012

AMD ths.

	On demand and less than 1 month	1-3 month	3-12 month	1-3 year	more than 3 years	Total
Assets						
Cash and cash equivalents	800	38,500	-	-	-	**39,300**
Amounts due from Government	-	-	1,010	-	-	**1,010**
Loans to customers	65,224	25,364	154,429	338,532	88,929	**672,478**
Other assets	4,468	152	13	-	1,077	**5,710**
	70,492	**64,016**	**155,452**	**338,532**	**90,006**	**718,498**
Liabilities						
Loans and borrowings	-	-	-	-	442,920	**442,920**
Other liabilities	4,721	-	16	-	-	**4,737**
	4,721	-	**16**	-	**442,920**	**447,657**
Net position	**65,771**	**64,016**	**155,436**	**338,532**	**(352,914)**	**270,841**
Accumulated gap	**65,771**	**129,787**	**285,223**	**623,755**	**270,841**	

25. Risk Management

The Organization's activities are exposed to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is at the core of the financial activity, and the operational risks are an inevitable consequence of being in business. The Organization's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Organization's financial performance.

The Organization's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

Risk management is carried out by Management under policies approved by the Board. The Management identifies, evaluates and hedges financial risks in close co-operation with the Organization's operating units. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

25.1 Credit risk

The Organization takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Organization by failing to discharge an obligation. Credit risk is the most important risk for the Organization 's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

The table below presents the worst case scenario of credit risk exposure to the Organization as at 31 December 2013 and 2012, without taking account of any collateral held or other credit enhancements attached. For on-balance- sheet assets, the exposures set out above are based on net carrying amounts.

AMD ths.

	Notes	Maximum gross exposure as at 31 December 2013	Maximum gross exposure as at 31 December 2012
Cash and cash equivalents	12	7,046	792
Amounts due from financial institutions	13	14,850	38,251
Loans and advances to customers	14	745,894	651,420
Total Credit risk		**767,790**	**690,463**

Risk concentrations of the maximum exposure to credit risk

Geographical areas

As at 31 December 2013 and 2012, the Organization's credit risks are totally centralized in Armenia.

Industry sectors

The following table breaks down the Organization's credit risk concentrations at their carrying amounts, categorized by the industry sectors of the counterparties as of 31 December:

AMD ths.

	Financial Institutions	Agriculture	Industry	Construction	Trade	Transportation means	Other	Total
Cash and cash equivalents	7,117	-	-	-	-	-	-	7,117
Amounts due from financial institutions	15,000	-	-	-	-	-	-	15,000
Loans to customers	-	583,190	12,426	-	107,152	37,646	20,506	760,920
As at 31 December, 2013	**22,117**	**583,190**	**12,426**	**-**	**107,152**	**37,646**	**20,506**	**783,037**
As at 31 December, 2012	**39,438**	**484,564**	**24,291**	**5,134**	**103,776**	**19,359**	**35,354**	**711,916**

Risk limits control and mitigation policies

The Organization manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries and to geographical areas.

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

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

Collateral

The Organization employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is a common practice. The Organization implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over real estate;
- Guarantee.

The analysis of loan portfolio by collateral is presented below:

	2013	*AMD ths.* 2012
Real estate	285,571	290,621
Vehicles	17,229	20,592
Guarantee	455,694	358,258
Other collateral	2,400	3,007
Total loans and advances to customers	**760,894**	**672,478**

As of December 31, 2013, the Organization's written off loans are as follows:

	2013	*AMD ths.* 2012
Written-off loans	41,652	37,516
Expense	(41,652)	(37,516)
Total written-off loans	**41,652**	**37,516**

25.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Organization has no loans dispersed or received with floating interest rate. Except for the concentrations within foreign currency, the Organization has no other significant concentration of market risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Positions are monitored on a daily basis.

The Organization's exposure to foreign currency exchange risk is as follow:

AMD ths.

	Freely Convertible Currency	Total
Assets		
Loans provided to customers	248,229	248,229
Total financial assets	**248,229**	**248,229**
Liabilities		
Total liabilities	-	-
Total financial liabilities	-	-
Net position as of 31 December 2013	**248,229**	**248,229**
Total financial assets	**199,921**	**199,921**
Total financial liabilities	-	-
Net position as of 31 December 2012	**199,921**	**199,921**

The freely convertible currency is US dollar.

25.3 Liquidity risk

Liquidity risk is the risk that the Organization will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily bases. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The liquidity management of the Organization requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring statement of financial position liquidity ratios.

The table below summarizes the maturity profile of the Organization's financial liabilities as at 31 December 2013 based on contractual obligations of undiscounted repayments. On demand repayments are classified with the assumption that they will be demanded immediately.

As at 31 December, 2013

AMD ths.

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
Financial liabilities						
Loans and borrowings	-	-	-	-	499,000	499,000
Other financial liabilities	5,515	-	-	-	-	5,515
Total undiscounted financial liabilities	**5,515**	-	-	-	-	**504,515**

As at 31 December, 2012

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
Financial liabilities						
Loans and borrowings	-	-	-	-	442,920	442,920
Other financial liabilities	4,721	-	16	-	-	4,737
Total undiscounted financial liabilities	**4,721**	-	**16**	-	**442,920**	**447,657**

26. Capital Adequacy

The primary objective of the Organization's capital management is to ensure that the Organization complies with externally imposed capital requirements and that the Organization maintains strong credit ratings and healthy capital ratios in order to support its business and ensure consistent increase in equity.

The Organization manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, polices and processes from the previous year.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and operating risks.

The Central Bank of Armenia has set the minimal required total capital at AMD 150,000 thousand. The Organization has complied with all externally imposed capital requirements through the reporting period.

Edgar Galstyan
Executive Director

Ashot Manukyan
Chief Accountant

Approval Date: 17.02.2014