Financial Statements and Independent Auditor's Report

Armenia Renewable Resources and Energy Efficiency Fund

December 31, 2016

Contents

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Independent auditor's report

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

Opinion

We have audited the financial statements of Armenia Renewable Resources and Energy Efficiency Fund (the "Fund"), which comprise the statement of financial position as of December 31, 2016, 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 give a true and fair view of the financial position of the Fund as of December 31, 2016, and of its financial performance and its cash flows for the year then 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 Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Fund as of and for the year ended December 31, 2015 were audited by another auditor, whose report dated March 16, 2016 expressed an unmodified audit opinion on these financial statements. As described in note 26, these financial statements were restated by the management of the Fund. We have also audited these restatements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management 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 a 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 operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities 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 a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or 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 Fund'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 the 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 Fund'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

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obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund 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 those charged with governance 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.

Grant Thornton

Grant Thornton Audit SRL, Romania

Emil Vassilyan, FCCA

Partner

Grant Thornton CJSC

Gagik Gyulbudaghyan

Managing Partner

Grant Thornton CJSC

April 28, 2017

Statement of financial position

In thousand drams	Note	As of December 31, 2016	As of December 31, 2015 (restated)	As of January 1, 2015 (restated)
Assets				
Non-current assets				
Property and equipment	4	247,783	56,023	35,651
Intangible assets		5,078	909	2,167
Accounts receivables	5	3,143,342	1,447,494	501,181
Borrowings provided	6	-	-	113,000
		3,396,203	1,504,426	651,999
Current assets				
Inventories		13,380	2,859	645
Accounts receivables	5	782,061	642,236	276,384
Borrowings provided	6	548	165,260	457,005
Term deposits	7	-	1,939,877	2,203,852
Current tax assets		104	-	4,159
Cash and cash equivalent	8	979,403	736,200	1,064,398
		1,775,496	3,486,432	4,006,443
Total assets		5,171,699	4,990,858	4,658,442
Liabilities and net assets				
Non-current liabilities				
Grants related to assets	9	247,052	331,396	259,570
Borrowings received	10	3,894,816	3,951,457	4,017,038
		4,141,868	4,282,853	4,276,608
Current liabilities				
Borrowings received	10	60,287	59,226	29,933
Deferred income	11	138,643	313,596	139,912
Accounts payable	12	563,753	274,599	76,040
Current tax liabilities		-	3,347	-
		762,683	650,768	245,885
Net assets				
Accumulated result		267,148	57,237	135,949
		267,148	57,237	135,949
Total liabilities and net assets		5,171,699	4,990,858	4,658,442

The financial statements were approved on April 28, 2017 by:

Tamara Babayan
Director

Siranush Gorgyan
Financial Manager

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 38.

Statement of profit or loss and other comprehensive income

In thousand drams	Note	Year ended December 31, 2016	Year ended December 31, 2015
Income from grants	13	3,769,323	970,387
Finance income	14	22,435	41,060
Income from services	15	57,167	18,045
Other income		13,737	20,467
Project expenses	16	(3,423,526)	(1,015,237)
Administrative expenses	17	(187,879)	(149,409)
Finance costs	10	(29,806)	(30,041)
Result from operating activities		221,451	(144,728)
Impairment losses on borrowings provided	6	(15,357)	(2,026)
Interest income from term deposits		48,047	100,763
Other financial results	18	(25,392)	(7,467)
Result before taxes		228,749	(53,458)
Income tax expense	19	(18,838)	(25,254)
Result for the year		209,911	(78,712)
Other comprehensive result		-	-
Total comprehensive income for the year		209,911	(78,712)

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 38.

Statement of changes in net assets

In thousand drams	Accumulated result	Total
as of January 1, 2015	135,949	135,949
Result for the year	(78,712)	(78,712)
Total comprehensive income for the year	(78,712)	(78,712)
as of December 31, 2015	57,237	57,237
Result for the year	209,911	209,911
Total comprehensive income for the year	209,911	209,911
as of December 31, 2016	267,148	267,148

The statement of changes in net assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 38.

Statement of cash flows

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Cash flows from operating activities		
Result for the year	209,911	(78,712)
Adjustments for:		
Depreciation and amortization	45,228	16,208
Income tax expense	18,838	25,254
Interest expense	29,806	30,041
Interest income from borrowings	(22,435)	(41,060)
Interest income from term deposits	(48,047)	(100,763)
Income from grants	(3,769,323)	(970,387)
Movement of the allowance for bad and doubtful borrowings	15,357	2,026
Foreign exchange rate losses	25,392	7,467
Operating loss before working capital changes	(3,495,273)	(1,109,926)
Movement of advances and receivables	(1,791,160)	(1,322,048)
Movement of inventories	(10,521)	(2,214)
Movement of payables	287,837	199,080
Cash used in operations	(5,009,117)	(2,235,108)
Interest paid	(29,853)	(30,303)
Income tax paid	(22,289)	(17,749)
Net cash used in operating activities	(5,061,259)	(2,283,160)
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	(241,157)	(35,322)
Term deposits invested/(repayments of term deposits), net	1,913,986	253,630
Grants received and return of grants, net	3,466,092	1,213,916
Interest income received	73,285	137,454
Borrowings provided/(repayments of borrowings), net	151,471	408,467
Net cash from investing activities	5,363,677	1,978,145

Notes to the financial statements

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 April 28, 2005. The founder of the Fund (the "Founder") is the Republic of Armenia.

The objectives of the Fund are to:

a) facilitate investments in the energy efficiency and renewable energy sectors;
b) promote the development of Armenian energy efficiency and renewable energy market;
c) contribute to the reduction of adverse anthropogenic impact on the environment and human health;
d) develop mechanisms aimed at increasing energy safety and reliability of energy system;
e) when respective authority is received from the 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 July 30, 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 February 16, 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 2015-2016 the Fund implemented the following projects:

- "Energy Efficiency Project", which is financed under the GEF Grant TF 012163 Agreement signed between the International Bank for Reconstruction and Development acting as an implementing agency of Global Environment Facility and the Republic of Armenia on April 20, 2012. The objective of the project is to reduce energy consumption in social and other public facilities through the removal of barriers to the implementation of energy efficiency investments in the public sector.

- "Black Sea Basin 2007-2013 Buildings Energy Efficiency Plan Project", which is financed by the European Union under a partnership agreement signed between mayor's office of Kavala and the Fund on September 26, 2012. The objective of the project is to improve the system of buildings energy efficiency and to share know-how in energy sphere.

- "Project Preparation for Industrial Scope Solar Power Project", which is financed through project preparation grant dated June 30, 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.

- "Geothermal Exploratory Drilling Project", which is financed by the Grant Agreement TF0A0544 dated June 16, 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.

- "Syunik marz sustainable development project", which is financed based on Syunik marz sustainable development grant agreement signed between the Fund and the OSCE Office in Yerevan dated July 1, 2016. The objective of the Project is the renewable energy improvement for the purpose of power and environmental security support, as well as increasing public awareness in the field of power security, use of innovative projects in the renewable energy sector, power security improvement in the local communities of Syunik marz, significant increase in energy efficiency, as well as cost savings in infrastructure to ensure power stability as a result of the increase in community investments, use of natural gas and electricity for the reduction of $CO2$ emissions, improvement of dialogue and civil society participation during the events on power security in Syunik marz.

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

The average number of employees of the Fund during 2016 was 15 (2015: 15).

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 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.

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the 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 in note 20 to the financial statements.

2.5 Adoption of new and revised standards

In the current year the Fund has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2016.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments are applied for the first time in 2016, they did not have a material impact on the annual financial statements of the Fund.

New and revised standards and interpretations that are effective for annual periods beginning on or after January 1, 2016

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

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

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

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Fund.

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

Amendments to IAS 12 *Income Taxes*

The IASB has issued *Recognition of Deferred Tax Assets for Unrealised Losses*, which makes narrow-scope amendments to IAS 12 *Income Taxes*. The focus of these amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

These amendments clarify the following aspects:

- unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use;

- the carrying amount of an asset does not limit the estimation of probable future taxable profits;

- estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences;

- an entity should consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of the deductible temporary difference. If tax law imposes no such restrictions, an entity assesses a deductible temporary difference in combination with all of its other deductible temporary differences.

The Amendments are effective for annual periods beginning on or after January 1, 2017 and are required to be applied retrospectively. Management does not anticipate a material impact on the Fund's financial statements from these Amendments.

IFRS 9 *Financial Instruments* (2014)

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

The changes in the accounting policies from this new standard may result to the increase in the amount of the allowance for doubtful debts. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

2.6 Restatement of financial statements

The financial statements including the comparative information for prior periods are presented as if the correction had been made in the period in which such a necessity arose. Therefore, the amount of the correction that relates to each period presented is included in the financial statements of that period. The amount of the correction in the comparative financial statements of prior periods is made in the earliest period presented. However, the correction did not have any impact on the financial results of the prior periods (refer to note 26).

3 Significant accounting policies

3.1 Foreign currencies

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 483.94 drams for 1 US dollar and 512.20 drams for 1 euro as of December 31, 2016 (December 31, 2015: 483.75 drams for 1 US dollar, 528.69 drams for 1 euro). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date).

Exchange differences arising on the settlement and retranslation of monetary items, are included in the result 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 Intangible assets

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

Amortization is charged to the result for the year on a straight line basis over the estimated useful lives of the intangible assets, which is estimated at 5 years for computer software.

3.4 Leased assets

Payments on operating lease agreements are recognized as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.6 Financial instruments

Recognition, initial measurement 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.

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

Classification and subsequent measurement of financial assets

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

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

Financial assets are assigned to different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses are recognized in the result or directly in other comprehensive income. Refer to note 21 for a summary of the Fund's financial assets by category.

Generally, the Fund recognizes all financial assets using settlement date accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expenses relating to financial assets that are recognized in the result are presented within finance costs, finance income or other financial items, except for impairment of accounts receivable which is presented within other expenses.

i. Loans and receivables

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

Accounts receivable

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

The balance of the allowance is adjusted by recording a charge or income to the result of the reporting period. All accounts receivable for which collection is not considered probable are written-off.

Grants expected from donors are stated as receivables, when as of the reporting date there is reasonable assurance that they will be received. In the financial statements they are stated as grants receivables.

Borrowings provided

Targeted borrowings provided to non-financial institution intermediaries and commercial banks are initially recognized at fair value. Subsequently they are measured at amortized cost less provision for impairment, and the difference between this cost and the final settlement cost is recognized in the statement of profit or loss and other comprehensive income during the borrowing period.

A provision for impairment of the borrowings is established, when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the borrowings. Significant financial difficulties of the borrowers and default and delinquency in payments are considered indicators that the borrowings are impaired.

The balance of the allowance is adjusted by recording a charge or income to the result of the reporting period. Any amount written-off with respect to borrower account balances is charged against the existing allowance for doubtful borrowings.

In the statement of cash flows the borrowings provided are stated as cash flows from investing activities.

Cash and cash equivalents

The Fund's cash and cash equivalent comprise bank accounts, designated account balances of the Central Treasury and short-term investments with a maturity period of less than 3 months.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Fund classifies investments as a cash equivalent if it is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value.

ii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity and include deposits at commercial banks. Investments are classified as held-to-maturity if it is the intention of the Fund's management to hold them until maturity.

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

Classification and subsequent measurement of financial liabilities

The Fund's financial liabilities include borrowings and accounts payable. A summary of the Fund's financial liabilities by category is given in note 21.

i. 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.

Partial or complete remittance of borrowings received is immediately recognized as income in the period, when such remittance becomes possible.

Management's estimates and assumptions on the borrowings received are disclosed in note 20.

In the statement of cash flows the borrowings received are stated as cash flows from financing activities.

ii. Accounts payable

Accounts payable are stated at fair value and subsequently stated at amortized cost.

3.7 Impairment

Impairment of financial assets

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

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

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

3.8 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.

3.9 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.

As a result of changes in the tax legislation of the Republic of Armenia, significant changes have been made to the principles of calculation of depreciation and amortization of the fixed assets and intangible assets. The annual amount of depreciation and amortization of fixed assets and intangible assets acquired after January 1, 2014 is calculated for groups of non-current assets - multiplying the carrying (residual) value of the assets in the group at the end of the reporting period and the annual amortization rate stated for that group of assets.

The calculation of the depreciation and amortization for the fixed assets and intangible assets acquired before January 1, 2014 continues to be performed using straight-line method.

3.10 Revenue recognition

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

Income from grants

The recognition policy of income from grants is presented in note 3.8.

Rendering of services

This income is recognized, when services are provided, which is evidenced by documents approved by the counterparty. This income is included in "Income from rendering of services".

Interest income

Interest revenue is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4 Property and equipment

In thousand drams	Machinery and equipment	Vehicles	Fittings and other	Total
Cost				
as of January 1, 2015	53,254	29,470	26,500	109,224
Additions	25,322	-	9,767	35,089
Disposals	(7,837)	-	(108)	(7,945)
as of December 31, 2015	70,739	29,470	36,159	136,368
Additions	234,401	-	1,573	235,974
as of December 31, 2016	305,140	29,470	37,732	372,342
Accumulated depreciation				
as of January 1, 2015	37,167	16,878	19,528	73,573
Charge for the year	5,082	2,934	6,701	14,717
Eliminated on disposal	(7,837)	-	(108)	(7,945)
as of December 31, 2015	34,412	19,812	26,121	80,345
Charge for the year	37,643	2,934	3,637	44,214
as of December 31, 2016	72,055	22,746	29,758	124,559
Carrying amount				
as of December 31, 2015	36,327	9,658	10,038	56,023
as of December 31, 2016	233,085	6,724	7,974	247,783

The additions of 2016 include solar radiation monitoring station of drams 210,401 thousand (2015: nil), as well as expenditures of drams 24,000 thousand capitalized to the cost of the station.

Depreciation expense has been allocated as follows:

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Administrative expenses	3,969	9,857
Project expenses	40,245	4,860
	44,214	14,717

As of December 31, 2016 the cost of the property and equipment of the Fund with nil carrying amount is drams 66,860 thousand (as of December 31, 2015: drams 63,516 thousand).

5 Accounts receivable

In thousand drams	As of December 31, 2016	As of December 31, 2015 (restated)
Current		
Accounts receivable	620,167	293,642
Grants receivable	49,531	4,132
Advances and prepayments	111,288	344,046
Receivables from the State budget	1,075	184
Other	-	232
	782,061	642,236
Non-current		
Accounts receivable from energy efficiency investments	3,143,342	1,447,494
	3,925,403	2,089,730

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

In thousand drams	As of December 31, 2016	As of December 31, 2015
"Redinet" CJSC	35,920	237,914
"Magh Shinanyut" LLC	19,740	33,558
"Z Profile" LLC and "Araratshin" LLC consortium	49,640	9,800
"Gevorgyan and Nersisyan" LLC	-	32,809
"Bedeck" Ltd.	-	18,751
Other	5,988	11,214
	111,288	344,046

As of December 31, 2016 advances include the amounts paid for the construction works at the amount of drams 105,300 thousand (as of December 31, 2015: drams 337,693 thousand).

Current accounts receivable include the amounts receivable from the following services:

In thousand drams	As of December 31, 2016	As of December 31, 2015 (restated)
Receivables from rendering of consulting services	1,823	-
Receivables from rendering of energy efficiency services	618,344	293,642
	620,167	293,642

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

In thousand drams	As of December 31, 2016		As of December 31, 2015 (restated)	
	Current	Non-current	Current	Non-current
Energy efficiency investments	613,785	3,143,342	291,758	1,447,494
Energy service	4,559	-	1,884	-
	618,344	3,143,342	293,642	1,447,494

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 April 20, 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, together with the contract with the contractor, concludes energy efficiency services provision contract with the beneficiary (public facilities) as well. 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 both payables to the contractors and receivables on the services of energy efficiency (energy efficiency investments) related to the component 1. 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 15).

Net carrying amount of accounts receivable is the reasonable estimation of the fair value.

No interest is charged on receivables arising from rendered services. The Fund makes provisions for all receivables that are considered to be irrecoverable and considers all receivables on the basis of individual and collective impairment. All individually significant receivables are then individually assessed for impairment. If individual impairment evidence is not detected for all individually significant receivables then they are collectively assessed for impairment. Receivables that are not individually significant, they are collectively assessed for impairment by grouping the receivables with similar risk characteristics.

While determining the collective irrecoverability of receivables, the Fund considers previously existing trends and the maturity terms adjusted based on management's assumptions.

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

As of December 31, 2016 and as of December 31, 2015 there are not impaired receivables or receivables which are past due but not impaired.

Refer to note 22 to disclose the currency of the receivables.

6 Borrowings provided

Name	Principal amount (in thousand drams)	Currency	Commence-ment date	Maturity date	Interest rate (%)	Balance as of December 31 (in thousand drams) 2016 Principal	2016 Interest	2015 (restated) Principal	2015 (restated) Interest	Interest income (in thousand drams) 2016	Interest income (in thousand drams) 2015
"Acba-Credit Agricole Bank" CJSC	4,200,000	US dollar equivalent to Armenian dram	15.06.2006	15.06.2016	5.9%-11.4%	-	548	113,000	2,527	12,811	19,729
"Ameriabank" CJSC	5,000,000	USD	13.07.2006	13.07.2016	2.5%-6.4%	-	-	38,473	205	854	3,173
Non-financial institution intermediaries	45,681	USD	01.04.2004	01.04.2014	5%	18,234	-	18,227	-	-	-
Non-financial institution intermediaries	185,535	USD	01.06.2010	01.06.2020	5%	86,047	15,313	86,013	11,055	4,259	4,295
Non-financial institution intermediaries	22,148	USD	01.06.2005	01.06.2015	5%	7,471	-	7,468	-	-	-
						111,752	15,861	263,181	13,787	17,924	27,197
Allowance for doubtful borrowings						2016		2015			
Non-financial institution intermediaries						(111,752)	(15,313)	(111,708)	-		
Carrying amount						-	548	151,473	13,787		

Movement of the allowance for doubtful borrowings is presented below:

In thousand drams	2016	2015
Balance at the beginning of the year	111,708	109,682
Increase in the allowance during the year	15,357	2,026
Balance at the end of the year	127,065	111,708

7 Term deposits

Name	Principal amount	Currency	Commencement date	Maturity date	Interest rate (%)	Balance as of December 31 (in thousand drams)			
						2016		2015 (restated)	
						Principal	Interest	Principal	Interest
Term deposits									
"HSBC Bank Armenia" CJSC	3,000	USD	08.12.2015	10.08.2016	4.0%	-	-	1,451,250	3,658
"HSBC Bank Armenia" CJSC	1,000	USD	08.12.2015	08.06.2016	3.5%	-	-	483,750	1,067
"HSBC Bank Armenia" CJSC	200	USD	08.12.2015	08.03.2016	2.5%	-	-	-	152
						-	-	1,935,000	4,877

8 Cash and cash equivalents

In thousand drams	As of December 31, 2016	As of December 31, 2015
Current bank accounts	647,123	285,904
Designated accounts in the Central Treasury-agency contracts	173,512	70,946
Designated accounts in the Central Treasury-grant contracts	158,768	282,600
Cash equivalents	-	96,750
	979,403	736,200

Cash equivalents are term deposits with the maturity period of 3 months invested in "HSBC Bank Armenia" CJSC and are subject to repayment on March 8, 2016.

Refer to note 22 for the currencies in which the Central Treasury and bank balances are denominated.

9 Grants related to assets

In thousand drams	2016	2015
Balance at the beginning of the year	331,396	259,570
Additions (property and equipment and intangible assets)	239,853	37,343
Energy efficiency investments	-	79,276
Repayments of energy efficiency investments	(86,068)	(39,933)
Realized to income (refer to note 13)	(238,129)	(4,860)
Balance at the end of the year	247,052	331,396

Additions of 2016 include property and equipment of drams 235,601 thousand (2015: drams 37,343 thousand) and intangible assets of drams 4,252 thousand (2015: nil).

In the framework of "Energy efficiency project" the energy efficiency investments are invested in public facilities (refer to note 5).

In the framework of "Energy efficiency project" the repayment amounts of energy efficiency investments are the return amounts of the investments made in the public facilities. This repayments is transferred to deferred income.

According to memorandum provided to the Fund in May 2016 by the World Bank, the "Energy Efficiency Project" is considered successful. Accordingly, the Fund has been given an opportunity to consider the resources received from the energy efficiency investments as own resources and use the funds originated from their return (repayments of energy efficiency investments) for the implementation of other energy efficiency projects. As a result, during 2016 drams 197,245 thousand from funds directed to energy efficiency investments were transferred to the statement of profit or loss and other comprehensive income as income.

10 Borrowings received

						Balance as of December 31 (in thousand drams)				Interest expense (in thousand drams)	Interest expense (in thousand drams)
						2016		2015 (restated)			
Name	Principal amount	Currency	Commencement date	Maturity date	Interest rate (%)	Principal	Interest	Principal	Interest	2016	2015
Ministry of Finance of the Republic of Armenia	1,740,568	Armenian dram	10.11.15	10.11.45	0.75%	1,702,299	1,731	1,737,104	1,758	12,962	13,053
Ministry of Finance of the Republic of Armenia	4,738	USD	10.11.15	10.11.45	0.75%	2,248,715	2,358	2,269,443	2,378	16,844	16,988
Total						3,951,014	4,089	4,006,547	4,136	29,806	30,041

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 22 to disclose the currency of loans and borrowings and the foreign currency risks of the Fund.

11 Deferred income

In thousand drams

	2016	2015
Balance at the beginning of the year	313,596	139,912
Additions	3,523,076	1,236,693
Return of grants	(11,585)	(20,796)
Transferred from grant related to assets	86,068	39,933
Transferred to grant related to assets	(239,853)	(116,619)
Income recognition (refer to note 13)	(3,531,194)	(965,527)
Other movements	(1,465)	-
Balance at the end of the year	138,643	313,596

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

In thousand drams	As of December 31, 2016		As of December 31, 2015	
	International Development Association	RA Government	International Development Association	RA Government
"Solar power project preparation"	47,755	2,142	140,226	-
"Geothermal exploratory drilling project"	86,394	-	93,420	-
"Energy efficiency project"	2,352	-	79,950	-
	136,501	2,142	313,596	-

As of December 31, 2015 the balance of deferred income on the International Development Association includes the repayments on energy efficiency investments of drams 60,415 thousand, which have been completely recognized in income based on the memorandum provided to the Fund in May 2016 by the World Bank, according to which the "Energy efficiency project" is considered successful, and the Fund is given an opportunity to consider the funds from energy efficiency investments as own resources and use the funds originated from their return for the implementation of other energy efficiency projects.

12 Accounts payable

In thousand drams	As of December 31, 2016	As of December 31, 2015 (restated)
Payables on works and services	506,348	225,880
Advances from customers	28,091	16,822
Taxes and duties payable	21,775	4,918
Employee benefits	7,194	6,101
Other	345	20,878
	563,753	274,599

Payables on works and services include drams 473,836 thousand (2015: drams 190,530 thousand) arisen from the contracts concluded with the counterparties for the implementation of the "Energy efficiency project".

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

In thousand drams	As of December 31, 2016	As of December 31, 2015
Value Added Tax	10,309	1,300
Non-resident profit tax	7,769	-
Income tax	3,638	3,563
Other	59	55
	21,775	4,918

No interest is charged on payables. The Fund has financial risk management policies to ensure that all payables are paid within the credit timeframe.

Refer to note 22 for more information about the Fund's exposure to foreign currency risk.

13 Income from grants

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Income from grants related to assets (refer to note 9)	238,129	4,860
Income from deferred income (refer to note 11)	3,531,194	965,527
	3,769,323	970,387

14 Finance Income

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Interest income from borrowings provided (refer to note 6)	17,924	27,197
Interest income charged to bank account balances	4,511	13,863
	22,435	41,060

15 Income from services

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Consulting services	22,043	-
Energy services (refer to note 5)	34,916	17,878
Other	208	167
	57,167	18,045

16 Project expenses

In thousand drams

	2016			2015		
	Grants	Funds	Total	Grants	Funds	Total
"Geothermal exploratory drilling project"	2,955,354	-	2,955,354	663,166	-	663,166
"Solar power project preparation"	285,957	-	285,957	3,863	-	3,863
"Energy efficiency project"	151,175	20,170	171,345	253,298	21,540	274,838
"Sustainable development project in Syunik region"	10,265	-	10,265	-	-	-
"Black Sea Basin 2007-2013 Energy Efficiency Project"	605	-	605	5,609	432	6,041
"Geothermal exploratory drilling project"	-	-	-	67,329	-	67,329
	3,403,356	20,170	3,423,526	993,265	21,972	1,015,237

17 Administrative expenses

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Employee benefits	95,928	88,305
Services received	33,434	5,148
Post and communication expenses	2,292	2,301
Trip and representation expenses	6,524	6,210
Office and utility expenses	4,936	5,247
Depreciation and amortization	4,345	11,349
Audit and consulting services	6,676	4,070
Bank and insurance charges	3,294	3,229
Lease expenses	13,332	13,332
Other	17,118	10,218
	187,879	149,409

18 Other financial items

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Loss from foreign exchange rate differences		
Held-to-maturity investments	(21,014)	(11,026)
Loans and receivables	(5,182)	55,140
Financial liabilities at amortized cost	804	(51,581)
	(25,392)	(7,467)

19 Income tax expense

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Current tax	18,838	25,254
	18,838	25,254

Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended December 31, 2016	Effective tax rate (%)	Year ended December 31, 2015	Effective tax rate (%)
Result before taxation (under IFRS)	228,749		(53,458)	
Income tax calculated at a tax rate of 20% (2015: 20%)	45,750	20%	(10,692)	20%
Non-deductible/(taxable) items, net	(26,912)	(12%)	35,946	(67%)
Income tax expense	18,838	8%	25,254	(47%)

20 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

20.1 Critical accounting estimates

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property and equipment

Management has estimated useful lives of the property and equipment. Management believes that estimated useful lives of the property and equipment are not materially different from economical lives of those assets. If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

Accounts receivable

- As described in note 5 receivables from rendering of energy efficiency services are generated by the implementation of energy efficiency investments in public facilities. Within the scope of these services the Fund enters into contracts with contractors that perform construction works on public facilities directed to energy efficiency. The Fund records the cost of energy efficiency investments on the basis of acts of acceptance on construction work submitted by the contractors as accounts receivable from public facilities and defines their repayment schedule.

  As of the reporting date the receivables from rendering of energy efficiency services also include the cost of construction works, which have not yet been fully completed, which means that tripartite (Fund-contractor-public facility) completion acts on construction works (certifying that construction works are also accepted by public facilities) are missing. Instead, there are only acts of acceptance on current construction works signed between two parties: the Fund and the contractor. Therefore, receivables related to constructions not yet fully completed are not attributable to a specific counterparty. However, the management of the Fund estimates that the construction works will be duly completed on time, and the probability that it will be accepted by public facilities is high. The receivables from rendering of energy efficiency services on constructions not yet completed amount to drams 116,920 thousand as of December 31, 2016 (December 31, 2015: drams 194,740 thousand).

- Management believes that the carrying amounts of receivables from rendering of energy efficiency services (energy efficiency investments and energy services) approximate their fair values; accordingly they are not discounted using market rates, for the following reasons:

    - the Fund is a non-for profit organization, and it does not pursue purpose to gain profit;
    - the amounts received for rendering of services are to be used for a predefined purpose;
    - the amounts are not under the control of the Fund,
    - due to the small size of the financial markets in Armenia, it is not practical to define a reasonable discount rate.

- Management believes that receivables from rendering of energy efficiency services (energy efficiency investments and energy services) are fully recoverable, and, therefore, have not been provided for, taking into account the past experience and the fact, that the counterparties are under the State control.

- Management believes that the receivables from rendering of energy efficiency services (energy efficiency investments and energy services) are the assets of the Fund and should be recorded as such in the statement of financial position (although legally the Fund is the agent of the Ministry of Finance of the Republic of Armenia and acts on behalf of it) for the following reasons:

    - services were provided using the resources received from the Ministry of Finance of the Republic of Armenia, and the Fund has a liability to pay to the Ministry of Finance of the Republic of Armenia;
    - the Fund bears a foreign currency risk related to this transaction, since the amounts received from the Ministry of Finance of the Republic of Armenia are generally denominated in US dollar, and the payments for the energy services provided by the Fund made done in the Armenian dram.

Borrowings received

The Fund received borrowings for implementation of "Energy efficiency project" as presented in note 10. Management believes that the carrying amounts of the borrowings provided approximate their fair values, so they are not discounted by market rates considering the absence of appropriate financial market in the Republic of Armenia for receiving and providing borrowings of such amounts and with such terms, as well as the fact that the Fund is a non-for-profit organization, and it does not pursue a purpose to gain profit. However, if management changes its estimations, the financial statements of the Fund may be changed significantly.

21 Financial instruments

21.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 3.6.

21.2 Categories of financial instruments

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

Financial assets

In thousand drams	As of December 31, 2016	As of December 31, 2015
Loans and receivables:		
Accounts receivable	3,813,040	1,745,500
Borrowings provided	548	165,260
Cash and cash equivalents	979,403	736,200
Held-to-maturity investments		
Term deposits	-	1,939,877
	4,792,991	4,586,837

Financial liabilities

In thousand drams	As of December 31, 2016	As of December 31, 2015
Financial liabilities measured at amortized cost:		
Borrowings received	3,955,103	4,010,683
Accounts payable	513,887	246,129
	4,468,990	4,256,812

22 Financial risk management

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

Financial risk factors

a) Market risk

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

Foreign currency 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 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:

Item	US dollar	Euro
As of December 31, 2016		
Financial assets		
Accounts receivable	-	4,003
Cash and cash equivalents	791,993	-
	791,993	4,003
Financial liabilities		
Borrowings received	2,248,715	-
	2,248,715	-
Net position	(1,456,722)	4,003

Item	US dollar	Euro
As of December 31, 2015		
Financial assets		
Accounts receivable	-	4,132
Borrowings provided	38,473	-
Cash and cash equivalents	425,380	-
Term deposits	1,935,000	-
	2,398,853	4,132
Financial liabilities		
Borrowings received	2,269,443	-
	2,269,443	-
Net position	129,410	4,132

The following table details the Fund's sensitivity to a 10% (2015: 10%) increase and decrease in dram against US dollar and Euro. 10% (2015: 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% (2015: 10%) change in foreign currency rates.

If Armenian dram had strengthened/(weakened) against US dollar and Euro by 10% (2015: 10%) then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2016	2015	2016	2015
Result	(145,672)	12,941	400	413
	(145,672)	12,941	400	413

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Fund. The effect of this risk for the Fund arises from different financial instruments, such as accounts receivable, borrowings provided and term deposits. The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

In thousand drams	As of December 31, 2016	As of December 31, 2015
Financial assets at carrying amounts		
Borrowings provided	548	165,260
Term deposits	-	1,939,877
Accounts receivable	3,813,040	1,745,500
Bank balances	979,403	736,200
	4,792,991	4,586,837

Management believes that there is no credit risk related to receivables since the Fund cooperates with the counterparties under the State control and are controlled by the Government.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks.

At the reporting date there was no significant concentration of credit risk in respect of accounts receivables.

c) 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.

In thousand drams 2016	Non-interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)		0.75%	
Less than 6 months	-	32,838	32,838
6 months to 1 year	513,887	28,750	542,637
1-5 years	-	320,588	320,588
More than 5 years	-	3,572,927	3,572,927
	513,887	3,955,103	4,468,990

In thousand drams

2015	Non-interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)		0.75%	
Less than 6 months	-	41,380	41,380
6 months to 1 year	246,129	43,700	289,829
1-5 years	-	416,355	416,355
More than 5 years	-	3,509,248	3,509,248
	246,129	4,010,683	4,256,812

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

23 Commitments

23.1 Operating lease commitments

The Fund as lessee

Non-cancelable operating lease commitments are disclosed below:

In thousand drams

	As of December 31, 2016	As of December 31, 2015
Within one year	9,999	9,999
	9,999	9,999

24 Contingencies

24.1 Business environment

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

Deterioration of economic situation of countries collaborating with the Republic of Armenia led to the shortage of money transfers from abroad, upon which the economy of Armenia is significantly dependant. Further decline in international prices of mining products, uncertainties due to possibilities of attraction of direct capital investments, inflation, may lead to deterioration of the situation of Armenian economy and of the 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.

24.2 Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Fund does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Fund property or relating to the Fund operations. Until the Fund obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Fund's operations and financial position.

24.3 Taxes

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

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

24.4 Environmental matters

Management is of the opinion that the Fund has met the Government's requirements concerning environmental matters and, therefore, believes that the Fund 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.

25 Related parties

25.1 Control relationships

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

25.2 Transactions with management

Key management received the following remuneration during the year.

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Salaries and bonuses	13,705	12,535
	13,705	12,535

25.3 Transactions with Ministry of Finance of the Republic of Armenia

In thousand drams

Transactions	Year ended December 31, 2016	Year ended December 31, 2015
Repayment of borrowings	54,876	77,353
Interest expense	29,806	30,039
	84,682	107,391

In thousand drams

Outstanding balances	As of December 31, 2016	As of December 31, 2015
Borrowings received	3,955,103	4,010,683
Accounts payable	-	5,318
	3,955,103	4,016,001

26 Restatement of comparative financial statements

As disclosed in note 2.6, the policy of the Fund is the retrospective adjustment of errors disclosed in the current year. During 2015 management of the Fund has decided that some items of the statement of financial position as of December 31, 2014 and as of December 31, 2015 are not classified properly. As a result, those items have been reclassified in the reporting period. The reclassifications are presented below.

a) Reclassification of amounts receivable on energy investments to receivables in accordance with the Fund's accounting policy (refer to note 3.8). Previously the receivables on energy investments were included in the borrowings provided.

b) Reclassification of the interest payable borrowings received to the carrying amount of the borrowings received in accordance with the Fund's accounting policy (refer to note 3.8). Previously the amount of the interest payable was presented in the accounts payable.

c) Reclassification of accrued interests on term deposits to the carrying amount of term deposits in accordance with the Fund's accounting policy (refer to note 3.8). Previously the accrued interests were presented in accounts receivable.

d) Reclassification of accrued interests on borrowings provided to non-financial intermediary organizations and financial organizations to the carrying amount of the borrowings provided in accordance with the Fund's accounting policy (refer to note 3.8). Previously the accrued interests were presented in accounts receivable.

27 Subsequent events

There are no significant subsequent events.