Financial Statements and Independent Auditor's Report

CARD AgroService CJSC

December 31, 2014

Contents

Grant Thornton

Independent auditor's report

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To the shareholders of CARD AgroService CJSC

We have audited the accompanying financial statements of CARD AgroService CJSC (the "Company"), which comprise the statement of financial position as of December 31, 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of CARD AgroService CJSC as of December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements of CARD AgroService CJSC for the year ended December 31, 2013 were audited by other auditors, whose auditor's report dated June 26, 2014 expresses an unqualified opinion on those financial statements.

June 11, 2015

Gagik Gyulbudaghyan
Managing Partner

Emil Vassilyan, FCCA
Engagement Partner

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Statement of financial position

In thousand drams	Note	As of December 31, 2014	As of December 31, 2013
Assets			
Non-current assets			
Property and equipment	4	22,749	23,060
Investment property	5	88,619	99,041
Intangible assets		3,523	725
Deferred income tax assets	6	4,660	1,772
		119,551	124,598
Current assets			
Inventories	7	418,592	264,159
Current income tax assets		5,808	-
Trade and other receivables	8	262,510	217,019
Cash and bank balances	9	37,368	24,514
		724,278	505,692
Total assets		843,829	630,290
Equity and liabilities			
Capital and reserves	10		
Share capital		270,000	270,000
Accumulated profit		318,708	258,534
		588,708	528,534
Current liabilities			
Loans and borrowings	11	126,599	40,506
Trade and other payables	12	128,522	58,537
Current income tax liabilities		-	2,713
		255,121	101,756
Total equity and liabilities		843,829	630,290

The financial statements were approved on June 8, 2015 by:

Gagik Sardaryan
Executive Officer

Nvard Ananyan
Financial Director

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 7 to 35.

Statement of profit or loss and other comprehensive income

In thousand drams	Note	Year ended December 31, 2014	Year ended December 31, 2013
Revenue	13	1,208,409	997,418
Cost of sales	14	(903,016)	(668,862)
Gross profit		305,393	328,556
Other income	15	9,256	1,457
Distribution and marketing expenses	16	(81,923)	(93,215)
Administrative expenses	17	(113,186)	(123,005)
Other expenses	18	(22,290)	(26,540)
Results from operating activities		97,250	87,253
Finance costs	11	(9,941)	(4,807)
Other financial items, net	19	(3,327)	3,942
Profit before income tax		83,982	86,388
Income tax expense	20	(16,808)	(22,174)
Profit for the year		67,174	64,214
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		67,174	64,214

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 7 to 35.

Statement of changes in equity

In thousand drams	Share capital	Accumulated profit	Total
as of January 1, 2013	270,000	194,320	464,320
Profit for the year	-	64,214	64,214
Total comprehensive income for the year	-	64,214	64,214
as of December 31, 2013	270,000	258,534	528,534
Profit for the year	-	67,174	67,174
Total comprehensive income for the year	-	67,174	67,174
Dividends		(7,000)	(7,000)
Transactions with owners	-	(7,000)	(7,000)
as of December 31, 2014	270,000	318,708	588,708

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 35.

Statement of cash flows

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Cash flows from operating activities		
Profit for the year	67,174	64,214
Adjustments for:		
Depreciation and amortization	25,777	16,377
Loss on disposal of property and equipment	7	75
Income from reversal of write down of inventories	(4,613)	-
Impairment loss recognized on inventories	6,959	18,077
Interest expense	9,941	4,807
Income tax expense	16,808	22,174
Movement of the allowance for doubtful receivables	116	(659)
Foreign exchange (gain)/loss	3,327	(3,942)
Operating profit before working capital changes	125,496	121,123
Change in trade and other receivables	(45,530)	(98,411)
Change in inventories	(156,779)	(22,458)
Change in trade and other payables	57,225	(9,198)
Cash used in operations	(19,588)	(8,944)
Interest paid	(9,419)	(4,304)
Income tax paid	(28,217)	(25,754)
Net cash used in operating activities	(57,224)	(39,002)
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	(17,849)	(30,095)
Net cash used in investing activities	(17,849)	(30,095)
Cash flows from financing activities		
Proceeds from loans and borrowings	85,571	120,000
Repayment of loans and borrowings	-	(87,865)
Net cash from financing activities	85,571	32,135
Net increase/(decrease) in cash and bank balances	10,498	(36,962)
Foreign exchange effect on cash	2,356	(809)
Cash and bank balances at the beginning of the year	24,514	62,285
Cash and bank balances at the end of the year	37,368	24,514

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 35.

Notes to the financial statements

1 Nature of operations and general information

CARD AgroService CJSC (the "Company") was registered in the State Register of Legal Entities of the Republic of Armenia on 6 February 2006. As of December 31, 2012 and up to June 27, 2013 the Company's immediate parent company was the Center for Agribusiness and Rural Development Foundation (the "CARD Foundation"). Since June 28, 2013 the Company's immediate parent company was AgroVision B.V. domiciled in the Netherlands.

The Company is involved in importing and selling of agricultural machinery and equipment, food products, and agricultural and food processing input supplies. In addition, the Company provides consulting services mainly in the areas related to agricultural production, processing technologies, management and marketing.

The average number of employees of the Company during 2014 was 32 employees (2013: 30 employees).

The Company's registered address is at 1/21, 40 Azatutyan Street, Yerevan 0037, Republic of Armenia.

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.

2.3 Functional and presentation currency

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

These financial statements are presented in Armenian drams (unless otherwise stated), 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 the note 21 to the financial statements.

2.5 Adoption of new and revised standards

In the current year the Company 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, 2014.

New and revised standards and interpretations that are effective for annual periods beginning on or after January 1, 2014

Amendments to IAS 32 *Financial Instruments: Presentation:* Offsetting Financial Assets and Financial Liabilities

These amendments clarify the application of certain offsetting criteria in IAS 32, including:

- the meaning of “currently has a legally enforceable right of set-off”;
- that some gross settlement mechanisms may be considered equivalent to net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the Company does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the financial statements for any period presented.

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

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 Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company’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 Company’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 Company’s financial statements.

IFRS 9 *Financial Instruments* (2014)

The IASB recently 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 Company's management have yet to assess the impact of this new standard on the Company's financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

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.

The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Annual Improvements 2010-2012

The Annual Improvements 2010-2012 made several minor amendments to a number of IFRSs. The amendments relevant to the Company are summarized below:

IAS 24 *Related Party Disclosures*

Key management personnel

- amends the definition of a "related party" in order to include "management entities" that provide key management personnel services to the reporting entity

- requires the disclosure of the amounts recognized by the reporting entity as a service fee to a separate management entity for the provision of the key management personnel services

- provides a relief so that the reporting entity is not required to disclose components of the compensation to key management personnel where the compensation is paid via a management entity.

The Annual Improvements 2010-2012 noted above are effective for annual periods beginning on or after July 1, 2014. Management does not anticipate a material impact on the Company's financial statements from these Amendments.

Annual Improvements 2011-2013

The Annual Improvements 2011-2013 made several minor amendments to a number of IFRSs. The amendments relevant to the Company are summarized below:

IAS 40 *Investment Property*

Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

Clarifies that IFRS 3 and IAS 40 are not mutually exclusive. Therefore, in determining:

- whether a property is owner-occupied property or investment property requires judgments based on IAS 40.7 - 40. 14

- whether the acquisition of an investment property meets the definition of a business combination or is the acquisition of an asset, reference should be made to IFRS 3 (not to IAS 40.7-40.14).

The Annual Improvements 2011-2013 noted above are effective for annual periods beginning on or after July 1, 2014. Management does not anticipate a material impact on the Company's financial statements from these Amendments.

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 474.97 drams for 1 US dollar and 577.47 drams for 1 euro as of December 31, 2014 (December 31, 2013: 405.64 drams for 1 US dollar, 559.54 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), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

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

3.2 Property and equipment

Property and equipment are stated in the statement of financial position at cost, less subsequent accumulated depreciation and any subsequent accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs.

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 profit or loss as incurred.

Depreciation is charged to profit or loss 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:

Buildings	-	20 years
Vehicles	-	5 years
Equipment	-	5 years
Furniture and fittings	-	5 years.

3.3 Intangible assets

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

Amortization is charged to profit or loss on a straight line basis over the estimated useful lives of the intangible assets, which is estimated at 5 years for accounting software.

3.4 Investment property

Investment property is property held to earn rentals or for capital appreciation or both rather than for:

- use in the production or supply of goods or services or for administration purposes; or
- sale in the ordinary course of business.

Investment property shall be recognized as an asset when and only when:

- it is probable that the future economic benefits that are associated with the investment property will flow to the entity; and
- the cost of the investment property can be measured reliably.

An investment property is measured initially at its cost, including transaction costs. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure.

After initial recognition, the Company chooses cost model and measures its investment property in accordance with IAS 16 *Property, Plant and Equipment.*

Rental income from investment property is included in revenue.

Investment property is derecognized (eliminated from the statement of financial position) when disposed or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Depreciation is charged to profit or loss on a straight line basis over the estimated useful lives of the investment property, which is estimated at 10 years.

3.5 Leased assets

In accordance with IAS 17 *Leases*, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as an obligation under finance lease, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreements, i.e. depreciation methods and useful lives, correspond to those applied to comparable assets which are legally owned by the Company. The corresponding obligation under finance lease is reduced by lease payments less finance charges, which are expensed to finance costs. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. 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.

3.6 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 weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.7 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company 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 other than hedging instruments 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 profit or loss or in other comprehensive income. Refer to note 22.2 for a summary of the Company's financial assets by category.

Generally, the Company 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 profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

i. Loans and receivables

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

Trade and other receivables

Current accounts receivable are initially recognized at fair value. Subsequently they are measured at amortized cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company 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 are considered indicators that the trade receivable is impaired. The amount of the 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 profit or loss of the reporting period. Any amount written-off with respect to customer account balances is charged against the existing allowance for doubtful accounts. All accounts receivable for which collection is not considered probable are written-off.

Cash and bank balances

The Company's cash and bank balances comprise cash in hand, bank accounts and cash in transit.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include loans and borrowings and trade and other payables. A summary of the Company's financial liabilities by category is given in note 22.2.

i. Loans and borrowings

Loans and borrowings are recognized initially at fair value, net of issuance costs associated with the borrowing. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value recognized in profit or loss 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, except for the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalized as part of that asset.

ii. Trade and other payables

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

3.8 Equity

Equity instruments issued by the Company are recorded at the proceeds received.

Share capital represents the nominal value of shares that have been issued.

Accumulated profit includes all current and prior period retained profits.

Dividends are recognized as a liability in the period in which they are declared.

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.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and rebates allowed by the Company.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Goods are sold through wholesale, retail sales and through agents. Revenue from the sale of goods is mainly derived from the sale of agricultural goods and machinery.

Wholesale trade and sale through agents

Revenue is recognized when significant risks and rewards of ownership of the goods have been transferred to the buyer and when no significant uncertainties remain regarding the consideration, associated costs or the possible return of goods and the amount of revenue can be measured reliably.

Retail trade

Revenue from retail sale of goods is recognized at the moment of sale transaction.

Rendering of services

Revenue from rendering of services is recognized when factually provided services are accepted by the customer.

Rental income

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

4 Property and equipment

In thousand drams	Land and buildings	Vehicles and equipment	Fixture and fittings	Constructions in progress	Total
Cost					
as of January 1, 2013	365	33,768	19,175	78,817	132,125
Additions	-	3,622	662	25,401	29,685
Disposals	-	(859)	(223)	-	(1,082)
Reclassification to investment property	-	-	-	(104,218)	(104,218)
as of December 31, 2013	365	36,531	19,614	-	56,510
Additions	-	13,995	411	-	14,406
Disposals	-	(297)	(120)	-	(417)
as of December 31, 2014	365	50,229	19,905	-	70,499
Accumulated depreciation					
as of January 1, 2013	-	15,998	7,453	-	23,451
Charge for the year	-	7,023	3,983	-	11,006
Eliminated on disposal	-	(790)	(217)	-	(1,007)
as of December 31, 2013	-	22,231	11,219	-	33,450
Charge for the year	-	10,880	3,830	-	14,710
Eliminated on disposal	-	(297)	(113)	-	(410)
as of December 31, 2014	-	32,814	14,936	-	47,750
Carrying amount					
as of December 31, 2013	365	14,300	8,395	-	23,060
as of December 31, 2014	365	17,415	4,969	-	22,749

Depreciation expense has been allocated as follows:

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Administrative expenses	10,609	8,172
Distribution and marketing expenses	4,101	2,834
	14,710	11,006

As of December 31, 2014 the cost of fully depreciated property and equipment amounts to drams 1,829 thousand (2013: drams 1,528 thousand).

5 Investment property

In thousand drams	Investment property
Cost	
as of January 1, 2013	-
Reclassification from property and equipment	104,218
as of December 31, 2013	104,218
as of December 31, 2014	104,218
Accumulated depreciation	
as of January 1, 2013	-
Charge for the year	5,177
as of December 31, 2013	5,177
Charge for the year	10,422
as of December 31, 2014	15,599
Carrying amount	
as of December 31, 2013	99,041
as of December 31, 2014	88,619

Investment property is an apartment consisting of 189.3 square meters located in 1/21 Azatutyun Avenue.

Investment property is leased out on operating leases. Rental income amounts to drams 20,400 thousand (2013: drams 20,400 thousand) (refer to note 13).

According to the management, the fair value of investment property equals its carrying amount as the impact resulting from the change of market value of investment property is not significant (refer to note 21.1).

The lease contract is non-cancellable for 4 years from the commencement of the lease. Since 2013 the Company started to rent out office space to the Center for Agribusiness and Rural Development Foundation (the ultimate parent) for implementation of Markets for Meghry project.

Future operating lease receivables are as follows:

In thousand drams	As of December 31, 2014	As of December 31, 2013
Within one year	20,400	10,200
1 to 5 years	20,400	-
Within one year	40,800	10,200

6 Deferred income taxes

The movement of deferred income taxes is disclosed below:

In thousand drams

	2014	2013
Balance at the beginning of year	1,772	1,640
Charged to profit or loss (refer to note 20)	2,888	132
Balance at the end of year	4,660	1,772

Deferred income taxes for the year ended December 31, 2014 can be summarized as follows:

In thousand drams	As of January 1, 2014	Recognized in profit or loss	As of December 31, 2014
Deferred income tax assets			
Trade receivables	280	23	303
Trade payables	1,492	(281)	1,211
Inventories	-	3,305	3,305
	1,772	3,047	4,819
Deferred income tax liabilities			
Property and equipment	-	159	159
	-	159	159
Net position – deferred income tax assets	1,772	2,888	4,660

Deferred income taxes for the year ended December 31, 2013 can be summarized as follows:

In thousand drams	As of January 1, 2013	Recognized in profit or loss	As of December 31, 2013
Deferred income tax assets			
Trade receivables	413	(133)	280
Trade payables	1,227	265	1,492
	1,640	132	1,772

7 Inventories

In thousand drams	As of December 31, 2014	As of December 31, 2013
Goods for resale	405,419	262,987
Goods in transit	11,736	-
Other inventories	1,437	1,172
	418,592	264,159

The cost of inventories recognized as an expense during the year is drams 875,132 thousand (2013: drams 680,383 thousand), which includes drams 6,959 thousand (2013: drams 18,077 thousand) (refer to note 18) in respect of write-downs of inventory to net realizable value and has been reduced by drams 4,613 thousand (2013: nil) in respect of the reversal of such write-downs (refer to note 15). Previous write-downs have been reversed as a result of increased in net realizable value.

Spare parts of drams 10,827 thousand had no movement during 2014. However, the caring amount of those spare parts has not been written down since it is expected that those spare parts will be recovered after more than twelve months (2013: nil).

Goods in transit include items, which all the Company has not yet received from the suppliers as of the reporting date.

As of December 31, 2014 the Company's inventories have been pledged as a security for bank loan and overdraft (refer to note 11).

8 Trade and other receivables

In thousand drams	As of December 31, 2014	As of December 31, 2013
Trade receivables	210,428	128,042
Allowances for doubtful trade receivables	(1,515)	(1,399)
Net trade receivables	208,913	126,643
Advances and prepayments	50,726	88,466
Receivables from the State budget	2,024	1,880
Other receivables	847	30
	262,510	217,019

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The average credit period on sales of goods and services is 64 days (2013: 47 days). No interest is charged on the trade receivables. The Company has provided fully for all receivables over 365 days because historical experience is that receivables that are past due beyond 365 days are generally not recoverable. Trade receivables over 365 days are provided based on estimated irrecoverable amounts from the sale of goods and services, determined by reference to past default experience.

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

Trade receivables include the balances due from the following debtors:

In thousand drams	As of December 31, 2014	As of December 31, 2013
CARD Foundation	1,963	20,998
Agroeconomy No. 1 CJSC	2,229	8,104
Ashtarak Kat CJSC	8,170	3,622
Doustr Marianna Ltd	4,332	-
Alternative Energy LLC	6,660	2,220
Entrepreneur Simon Martirosyan	3,032	-
Berqarat Jermots LLC	83,837	32,285
Ecofarm LLC	7,851	52
Kaga Group LLC	6,049	-
MavasGroup LLC	5,938	-
Simon Martirosyan	2,290	5,357
Jermuk Group CJSC	24,515	-
Entrepreneur Armen Jaghinyan	7,579	117
Entrepreneur Vardan Papoyan	11,681	2,635
Delaval Export Service Ab.	-	30,564
Other	34,302	22,088
	210,428	128,042

The ageing analysis of gross trade receivables is disclosed below:

In thousand drams	As of December 31, 2014	As of December 31, 2013
up to 1 month	79,837	88,426
1-3 months	52,381	15,024
3-6 months	51,453	13,406
6-12 months	22,196	9,787
Over 1 years	4,561	1,399
	210,428	128,042

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

In thousand drams	As of December 31, 2014	As of December 31, 2013
KROMEL Machinery Co.	21,370	3,581
Trouw Nutrition Hifeed BV	12,700	59
Cipla Ltd.	7,364	7,364
RCP International S.A.	2,808	-
John Deere	928	5,250
Veyx-Pharma GmbH	520	4,136
Sealed Air Corporation	-	31,006
Grillo SpA	-	13,654
Delaval Export Service Ab.	-	12,618
Abbott & Cobb Inc.	-	6,505
Other	5,036	4,293
	50,726	88,466

The ageing analysis of advances and prepayments are stated below:

In thousand drams	As of December 31, 2014	As of December 31, 2013
up to 1 month	17,507	41,742
1-3 months	4,736	28,549
3-6 months	18,096	16,833
6-12 months	2,306	312
Over 1 years	8,081	1,030
	50,726	88,466

As of December 31, 2014 individual items of trade receivables at the gross carrying amount of drams 1,515 thousand (December 31, 2013: drams 1,399 thousand) were impaired and provided for. The amount of provision was drams 1,515 thousand (December 31, 2013: drams 1,399 thousand).

Movement of the allowance for doubtful receivables is presented below:

In thousand drams	2014	2013
Balance at the beginning of year	1,399	2,058
Reversal of the allowance	-	(659)
Increase in the allowance during the period	116	-
Balance at the end of year	1,515	1,399

In determining the recoverability of a trade receivable the Company considers any change in the repayment pattern from the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer range being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Refer to note 23 for the currencies in which the trade and other receivables are denominated.

9 Cash and bank balances

In thousand drams	As of December 31, 2014	As of December 31, 2013
Cash in hand	136	1,321
Cash in transit	1,197	-
Bank balances	36,035	23,193
	37,368	24,514

10 Capital and reserves

10.1 Share capital

Number of shares unless otherwise stated	Ordinary shares 2014	Ordinary shares 2013
Authorized shares		
Number of ordinary shares of drams 600,000 each	450	450
Number of ordinary shares of drams 600,000 each	450	450

The Company has one class of ordinary shares, which carry no right to fixed income.

10.2 Dividends

In December 30, 2014 dividends amounting to drams 7,000 (2013: nil) thousand have been declared.

11 Loans and borrowings

Name of borrower	Principal amount (in thousand drams)	Original currency	Commence-ment date	Maturity date	Annual interest rate (%)	Balance as of December 31 (in thousand drams) 2014 Principal	2014 Interest	2013 Principal	2013 Interest	Interest expense (in thousand drams) 2014	2013
Bank loan											
Pro Credit Bank CJSC	40,000	AMD	20.06.2013	22.06.2015	14%	40,000	475	40,000	506	5,569	4,807
Bank overdraft											
Pro Credit Bank CJSC	60,000	AMD	08.05.2012	08.05.2015	16%	45,388	553	-	-	4,372	-
HSBC Bank Armenia CJSC	1,100	AMD	31.12.2014	31.12.2017	21%	183	-	-	-	-	-
Related party borrowing											
CARD Foundation	40,000	AMD	01.07.2014	25.12.2015	0%	40,000	-	-	-	-	-
						125,571	1,028	40,000	506	9,941	4,807

Bank loan and overdraft are secured by inventory of the Company (refer to note 7).

12 Trade and other payables

In thousand drams	As of December 31, 2014	As of December 31, 2013
Trade payables	71,841	25,329
Advances received	36,329	17,137
Payables to the State budget	6,139	8,590
Employee benefits payable	3,654	2,956
Payables to shareholders	7,000	-
Other payables	3,559	4,525
	128,522	58,537

The average credit period on purchase of certain goods is 30 days (2013: 14 days). No interest is charged on the trade payables. The Company has financial risk management policies to ensure that all payables are paid within the credit timeframe.

13 Revenue

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Retail sales of goods	21,381	133,055
Wholesale sales of goods	863,549	627,345
Sales of goods through agents (retail sale)	244,698	83,355
Services provided	58,381	133,263
Rental income (refer to note 5)	20,400	20,400
	1,208,409	997,418

14 Cost of sales

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Cost of goods sold (retail)	114,630	83,660
Cost of goods sold (wholesale)	756,350	574,806
Cost of services provided	32,036	10,396
	903,016	668,862

15 Other income

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Reversal of inventory impairment	4,613	-
Other	4,643	1,457
	9,256	1,457

16 Distribution and marketing expenses

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Employee benefits	45,474	65,073
Transportation and insurance expenses	5,574	5,870
Commission and consignation expenses	5,941	5,554
Marketing and advertisement expenses	2,739	4,209
Depreciation expenses of property and equipment and investment property	14,523	8,011
Packaging and storing expenses	4,712	2,294
Other	2,960	2,204
	81,923	93,215

17 Administrative expenses

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Employee benefits	53,241	59,755
Depreciation and amortization expenses	11,254	8,366
Bank services and insurance expenses	4,877	3,665
Audit and consulting services expenses	8,137	8,300
Business trip and representation expenses	11,197	21,771
Rental expenses	9,412	4,407
Other	15,068	16,741
	113,186	123,005

18 Other expenses

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Impairment loss recognized on inventory (refer to note 7)	6,959	18,077
Convertation expenses, net	7,861	3,459
Other	7,470	5,004
	22,290	26,540

19 Other financial items

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Gain/(loss) from exchange differences on:		
Loans and receivables	2,433	(157)
Financial liabilities measured at amortized cost	(5,760)	4,099
	(3,327)	3,942

20 Income tax expense

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Current tax	19,696	22,306
Deferred tax (refer to note 6)	(2,888)	(132)
	16,808	22,174

Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended December 31, 2014	Effective tax rate (%)	Year ended December 31, 2013	Effective tax rate (%)
Profit before taxation (under IFRS)	83,982		86,388	
Tax calculated at a tax rate of 20% (2013: 20%)	16,796	20.0	17,278	20.0
(Non-taxable)/non-deductible items, net	12	0.01	4,896	5.7
Income tax expense	16,808	20.0	22,174	25.7

21 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.

21.1 Critical accounting estimates

The Company 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.

Fair value of investment property

As disclosed in note 5 the Company's investment property is subsequently measured at cost model. However, according to the management the fair value of investment property equals its carrying amount as the impact resulting from the change of market value of investment property is not significant.

Management anticipates that the whole area as described in the note 5 will be used as an investment property, at its entirety, in forthcoming years.

22 Financial instruments

22.1 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, financial liability and equity instrument are disclosed in note 3.7.

22.2 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, 2014	As of December 31, 2013
Loans and receivables:		
Trade and other receivables	209,760	126,673
Cash and bank balances	37,368	24,514
	247,128	151,187

Financial liabilities

In thousand drams	As of December 31, 2014	As of December 31, 2013
Financial liabilities measured at amortized cost:		
Loans and borrowings	126,599	40,506
Trade and other payables	86,054	32,810
	212,653	73,316

23 Financial risk management

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

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

Financial risk factors

a) Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from its operating activity.

Foreign currency risk

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

Exposures to currency exchange rates arise from the Company's overseas purchases, which are primarily denominated in US dollars and Euro.

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

Item			
As of December 31, 2014	US dollar	Euro	Other
Financial assets			
Trade and other receivables	7	-	-
Cash and bank balances	4,113	150	-
	4,120	150	-
Financial liabilities			
Trade and other payables	129	55,978	10
	129	55,978	10
Net position	3,991	(55,828)	(10)

Item

As of December 31, 2013	US dollar	Euro
Financial assets		
Trade and other receivables	6	32,933
Cash and bank balances	28	134
	34	33,067
Financial liabilities		
Trade and other payables	171	23,950
	171	23,950
Net position	(137)	9,117

The following table details the Company's sensitivity to a 10% (2013: 7%) increase and decrease in dram against US dollar and Euro. 10% (2013: 7%) 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% (2013: 7%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Euro by 10% (2013: 7%) then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2014	2013	2014	2013
Profit or loss	279	(14)	(3,908)	912
	279	(14)	(3,908)	912

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

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The effect of this risk for the Company arises from different financial instruments, such as accounts receivable.

In thousand drams	As of December 31, 2014	As of December 31, 2013
Financial assets at carrying amounts		
Trade and other receivables	209,760	126,673
Cash and bank balances	37,368	24,514
	247,128	151,187

At the reporting date there was no significant concentration of credit risk in respect of trade and other receivables. The Company has made provisions of drams 1,515 thousand as of December 31, 2014 (December 31, 2013: drams 1,399 thousand) for overdue receivables.

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

c) Liquidity risk

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

The Company'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 Company'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 Company can be required to pay. The table includes both interest and principal cash flows.

2014	Non-interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)			
Less than 6 months	82,400	46,599	128,999
6 months to 1 year	3,654	40,000	43,654
1-5 years	40,000	-	40,000
	126,054	86,599	212,653

2013	Non-interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)			
Less than 6 months	29,854	40,506	70,360
6 months to 1 year	2,956	-	2,956
	32,810	40,506	73,316

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources and trade receivables. The Company's cash resources and trade receivables exceed the current cash outflow requirements.

24 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern and provide adequate return to stakeholders.

The capital structure of the Company consists of equity comprising issued capital, accumulated profits and debt, which includes borrowings disclosed in note 11.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amounts managed as capital by the Company for the reporting periods under review are summarized as follows:

In thousand drams	As of December 31, 2014	As of December 31, 2013
Total equity	588,708	528,534
Add: subordinated loan	40,000	-
Less: cash and bank balances	(37,368)	(24,514)
Capital	591,340	504,020
Total equity	588,708	528,534
Borrowings	126,599	40,506
Overall financing	715,307	569,040
Capital to overall financing ratio	83%	89%

25 Commitments

25.1 Operating lease commitments

The Company as lessee

Operating lease relate to leased area located in 154 Central Street, Village Darakert, Ararat region, 12/7 Aharonyan Street, Yerevan and 1/21 Azatutyun N 40, Yerevan with lease terms of 1-5 years. The Company does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancelable operating lease commitments are disclosed below:

In thousand drams	As of December 31, 2014	As of December 31, 2013
Within one year	9,765	10,920
1 to 5 years	25,244	34,127
	35,009	45,047

26 Contingencies

26.1 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 Company. 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 Company may be affected.

Management of the Company believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Company.

26.2 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 Company 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 Company property or relating to the Company operations. Until the Company 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 Company's operations and financial position.

26.3 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.

26.4 Environmental matters

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

27 Related parties

The Company's related parties include its parent, ultimate parent, entities under common control, key management and others as described below.

27.1 Control relationships

The Company is controlled by AgroVision B.V. (the Parent), which owns 100% of the Company's shares. The ultimate parent of the Company is the Center for Agribusiness and Rural Development Foundation, which is incorporated in the Republic of Armenia and located at 1/21, 40 Azatutyan Street, Yerevan and does not produce publicly available financial statements.

27.2 Transactions with related parties

During the reporting year the Company had the following transactions with the related parties and as of the reporting date had the following outstanding balances.

In thousand drams

Transactions	Year ended December 31, 2014	Year ended December 31, 2013
Ultimate Parent		
Sale of goods	34,023	36,224
Provision of services	27,050	45,215
Proceeds from borrowings	40,000	-
Acquisition of goods and raw materials	16,020	-
Immediate Parent		
Dividends declared	7,000	-
Entities under common control		
Sale of goods	18,301	41,509
Received prepayments	7,564	-
Provision of services	-	603
Acquisition of goods and raw materials	693	-
Other related parties		
Sale of goods	5,486	5,083
Received prepayments	5,409	
Acquisition of goods and raw materials	-	4,000

In thousand drams

Outstanding balances	As of December 31, 2014	As of December 31, 2013
Ultimate Parent		
Trade and other receivables	1,963	20,998
Borrowings received	40,000	-
Trade and other payables	-	852
Immediate Parent		
Trade and other payables	7,000	-
Entities under common control		
Trade and other payables	6,000	-
Other related parties		
Trade and other payables	2,898	-

27.3 Transactions with management and close family members

Directors of the Company and their close family members as of December 31, 2014 and December 31, 2013 had no significant shares in AgroVision B.V.

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

In thousand drams	Year ended December 31, 2014	Year ended December 31, 2013
Salaries and bonuses	14,502	15,269
	14,502	15,269

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