Financial Statements and Independent Auditor's Report

CARD AgroService CJSC

December 31, 2016

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Independent auditor's report

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To the shareholders of CARD AgroService CJSC

Opinion

We have audited the financial statements of CARD AgroService CJSC (the "Company"), 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 equity 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 Company 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 Company 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.

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

Gagik Gyulbudaghyan	Emil Vassilyan, FCCA
Managing Partner	Engagement Partner

March 24, 2017

Statement of financial position

In thousand drams	Note	As of December 31, 2016	As of December 31, 2015
Assets			
Non-current assets			
Property and equipment	4	54,602	45,639
Investment property	5	67,775	78,197
Intangible asset		1,870	2,650
Deferred income tax assets	6	4,615	3,213
		128,862	129,699
Current assets			
Inventories	7	457,624	400,551
Current income tax assets		6,364	9,948
Trade and other receivables	8	235,366	272,747
Cash and bank balances	9	21,849	3,706
		721,203	686,952
Total assets		850,065	816,651
Equity and liabilities			
Capital and reserves	10		
Share capital		270,000	270,000
Accumulated profit		385,956	383,645
		655,956	653,645
Non-current liabilities			
Obligations under finance leases	11	11,346	-
		11,346	-
Current liabilities			
Loans and borrowings	12	80,945	92,560
Trade and other payables	13	99,156	70,446
Obligations under finance leases	11	2,662	-
		182,763	163,006
Total equity and liabilities		850,065	816,651

The financial statements were approved on March 24, 2017 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 8 to 37.

Statement of profit or loss and other comprehensive income

In thousand drams	Note	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	14	1,070,688	1,056,433
Cost of sales	15	(784,187)	(772,348)
Gross profit		286,501	284,085
Other income	16	5,694	12,165
Distribution and marketing expenses	17	(127,937)	(94,957)
Administrative expenses	18	(108,066)	(99,618)
Other expenses	19	(22,846)	(12,531)
Results from operating activities		33,346	89,144
Finance costs	20	(12,121)	(8,238)
Other financial items, net	21	1,965	2,445
Profit before income tax		23,190	83,351
Income tax expense	22	(6,629)	(18,414)
Profit for the year		16,561	64,937
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		16,561	64,937

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 8 to 38.

Statement of changes in equity

In thousand drams	Share capital	Accumulated profit	Total
as of January 1, 2015	270,000	318,708	588,708
Profit for the year	-	64,937	64,937
Total comprehensive income for the year	-	64,937	64,937
as of December 31, 2015	270,000	383,645	653,645
Profit for the year	-	16,561	16,561
Total comprehensive income for the year	-	16,561	16,561
Dividends	-	(14,250)	(14,250)
Transactions with owners	-	(14,250)	(14,250)
as of December 31, 2015	270,000	385,956	655,956

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 8 to 38.

Statement of cash flows

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Cash flows from operating activities		
Profit for the year	16,561	64,937
Adjustments for:		
Depreciation and amortization	20,939	23,631
Loss on disposal of property and equipment	-	260
Income from reversal of write down of inventories	(2,714)	(8,707)
Write down of inventories	7,393	3,083
Interest expense	12,121	8,238
Income tax expense	6,629	18,414
Movement of the allowance for doubtful receivables	9,875	(694)
Foreign exchange gain	(1,965)	(2,445)
Operating profit before working capital changes	68,839	106,717
Change in trade and other receivables	28,121	(11,970)
Change in inventories	(61,752)	23,665
Change in trade and other payables	30,505	(53,501)
Cash generated from operations	65,713	64,911
Interest paid	(11,741)	(8,701)
Income tax paid	(4,447)	(21,107)
Net cash from operating activities	49,525	35,103
Cash flows from investing activities		
Acquisition of property and equipment	(18,700)	(35,486)
Changes in obligation under finance lease	14,008	-
Net cash used in investing activities	(4,692)	(35,486)
Cash flows from financing activities		
Proceeds from loans and borrowings	383,616	50,000
Repayment of loans and borrowings	(395,611)	(83,576)
Dividends paid	(14,250)	-
Net cash used in financing activities	(26,245)	(33,576)
Net increase/(decrease) in cash and bank balances	18,588	(33,959)
Foreign exchange effect on cash	(445)	297
Cash and bank balances at the beginning of the year	3,706	37,368
Cash and bank balances at the end of the year	21,849	3,706

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 8 to 38.

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 February 6, 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 is 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 2016 was 35 employees (2015: 28 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 note 23 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, 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 Company.

New and revised standards and interpretations those 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.

Annual Improvements 2012-2014

The Annual Improvements 2012-2014 made several minor amendments to a number of IFRSs. The amendments relevant to the Company are summarized below:

IFRS 7 *Financial Instruments: Disclosures*

The amendments provide additional guidance to help entities identify the circumstances under which a servicing contract is considered to be "continuing involvement" for the purposes of applying the disclosure requirements in paragraphs 42E-42H of IFRS 7. Such circumstances commonly arise when, for example, the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset or when a fixed fee is not paid in full due to non-performance of that asset.

IFRS 7 *Financial Instruments: Disclosures*

These amendments clarify that the additional disclosure required by the recent amendments to IFRS 7 *Disclosure–Offsetting Financial Assets and Financial Liabilities* is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with IAS 34 *Interim Financial Reporting* when its inclusion would be necessary in order to meet the general principles of IAS 34.

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.

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 Company'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 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.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Company's management have not yet assessed the impact of IFRS 15 on these financial statements.

IFRS 16 *Leases*

IFRS 16 presents new requirements and amendments to the accounting of leases. IFRS 16 will require lessees to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability.

IFRS 16 also:

- changes the definition of a lease;
- sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods;
- provides exemptions for short-term leases and leases of low value assets;
- changes the accounting for sale and leaseback arrangements;
- largely retains IAS 17's approach to lessor accounting;
- introduces new disclosure requirements.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted provided IFRS 15 *Revenue from Contracts with Customers* is also applied. The Company's management have not yet assessed the impact of IFRS 16 on these financial statements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income.

IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which the Company initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

If there are multiple payments or receipts in advance, the Company shall determine a date of the transaction for each payment or receipt of advance consideration.

IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

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 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 or is added to the cost of other asset 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 24.2 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 24.2.

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	Vehicles and equipment	Fixture and fittings	Total
Cost				
as of January 1, 2015	365	50,229	19,861	70,455
Additions	23,940	11,546	-	35,486
Disposals	-	(1,027)	(1,352)	(2,379)
as of December 31, 2015	24,305	60,748	18,509	103,562
Additions	2,492	16,208	-	18,700
Disposals	-	(838)	(855)	(1,693)
as of December 31, 2016	26,797	76,118	17,654	120,569
Accumulated depreciation				
as of January 1, 2015	-	32,774	14,932	47,706
Charge for the year	-	8,491	3,845	12,336
Eliminated on disposal	-	(891)	(1,228)	(2,119)
as of December 31, 2015	-	40,374	17,549	57,923
Charge for the year	-	8,904	833	9,737
Eliminated on disposal	-	(838)	(855)	(1,693)
as of December 31, 2016	-	48,440	17,527	65,967
Carrying amount				
as of December 31, 2015	24,305	20,374	960	45,639
as of December 31, 2016	26,797	27,678	127	54,602

Depreciation expense has been allocated as follows:

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Administrative expenses	2,937	8,918
Distribution and marketing expenses	6,800	3,418
	9,737	12,336

As of December 31, 2016 the cost of fully depreciated property and equipment amounts to drams 40,184 thousand (2015: drams 25,428 thousand).

5 Investment property

In thousand drams	Investment property
Cost	
as of January 1, 2015	104,218
as of December 31, 2015	104,218
as of December 31, 2016	104,218
Accumulated depreciation	
as of January 1, 2015	15,599
Charge for the year	10,422
as of December 31, 2015	26,021
Charge for the year	10,422
as of December 31, 2016	36,443
Carrying amount	
as of December 31, 2015	78,197
as of December 31, 2016	67,775

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 (2015: drams 20,400 thousand) (refer to note 14).

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 23.1).

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, 2016	As of December 31, 2015
Within one year	10,200	20,400
1 to 5 years	-	-
	10,200	20,400

6 Deferred income taxes

The movement of deferred income taxes is disclosed below:

In thousand drams	2016	2015
Balance at the beginning of year	3,213	4,660
(Charged)/credited to profit or loss (refer to note 22)	1,402	(1,447)
Balance at the end of year	4,615	3,213

Deferred income taxes for the year ended December 31, 2016 can be summarized as follows:

In thousand drams	As of January 1, 2016	Recognized in profit or loss	As of December 31, 2016
Deferred income tax assets			
Trade receivables	165	1,975	2,140
Trade payables	1,021	426	1,447
Inventories	2,643	(638)	2,005
	3,829	1,763	5,592
Deferred income tax liabilities			
Property and equipment	616	361	977
	616	361	977
Net position – deferred income tax assets	3,213	1,402	4,615

Deferred income taxes for the year ended December 31, 2015 can be summarized as follows:

In thousand drams	As of January 1, 2015	Recognized in profit or loss	As of December 31, 2015
Deferred income tax assets			
Trade receivables	303	(138)	165
Trade payables	1,211	(190)	1,021
Inventories	3,305	(662)	2,643
	4,819	(990)	3,829
Deferred income tax liabilities			
Property and equipment	159	457	616
	159	457	616
Net position – deferred income tax assets	4,660	(1,447)	3,213

7 Inventories

In thousand drams	As of December 31, 2016	As of December 31, 2015
Goods for resale	449,521	396,579
Goods in transit	5,597	2,000
Other inventories	2,506	1,972
	457,624	400,551

The cost of inventories recognized as an expense during the year is drams 768,332 thousand (2015: drams 748,347 thousand), which includes drams 2,275 thousand (2015: drams 3,083 thousand) in respect of write-downs of inventory to net realizable value and has been reduced by drams 2,714 thousand (2015: drams 8,707 thousand) in respect of the reversal of such write-downs (refer to note 16). Previous write-downs have been reversed as a result of increased in net realizable value.

Spare parts of drams 34,315 thousand, which are included in "goods for resale", had no movement during 2016. However, the carrying 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 (2015: drams 26,601 thousand).

As of December 31, 2016 and as of December 31, 2015 the Company's inventories have been pledged as a security for bank loan and overdraft (refer to note 12).

8 Trade and other receivables

In thousand drams	As of December 31, 2016	As of December 31, 2015
Trade receivables	209,262	251,498
Allowances for doubtful trade receivables	(10,696)	(821)
Net trade receivables	198,566	250,677
Advances and prepayments	27,915	10,940
Receivables from the State budget	5,779	2,279
Other receivables	3,106	8,851
	235,366	272,747

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 71 days (2015: 87 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.

Gross trade receivables include the balances due from the following debtors:

In thousand drams	As of December 31, 2016	As of December 31, 2015
Berqarat Jermots LLC	77,442	119,074
Entrepreneur Vardan Papoyan	11,958	12,383
Entrepreneur Armen Jaghinyan	8,827	9,059
Kaga Group LLC	6,049	6,049
Entrepreneur Kananyan Sargis	13,150	1,233
Entrepreneur Simon Martirosyan	5,001	9,886
Alternative Energy LLC	3,698	4,660
Ecofarm LLC	3,321	10,233
Narek Davit LLC	4,653	1,623
Bandivan Kat LLC	4,509	1,625
Kaga Agro LLC	3,051	3,051
CARD Foundation	1,418	1,921
Agroeconomy No. 1 CJSC	1,433	1,680
Entrepreneur Sargsyan Ruzanna	1,782	3,889
Ashtarak Kat CJSC	701	8,610
Ajgegorts Plus LLC	1,179	2,760
MAP CJSC	8,246	-
Entrepreneur Arthur Martirosyan	6,914	-
Entrepreneur Grigoryan Aram	4,159	-
Doustr Marianna Ltd	5,163	-
Khor Virap LLC	5,718	-
Igit LLC	-	3,835
Fund for Armenian Relief	-	3,215
MavasGroup LLC	-	6,319
Other	30,890	40,393
	209,262	251,498

The ageing analysis of gross trade receivables is disclosed below:

In thousand drams	As of December 31, 2016	As of December 31, 2015
up to 1 month	49,520	50,164
1-3 months	33,327	68,209
3-6 months	57,555	49,626
6-12 months	42,655	58,872
Over 1 years	26,205	24,627
	209,262	251,498

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

In thousand drams	As of December 31, 2016	As of December 31, 2015
Plastika Kritis S.A	11,779	57
Thirth Agro Technology Pvt. Ltd	4,531	-
Weinhaus Henger OHG	2,619	-
Bio-Zentrale Narurprodukte GmbH	1,404	-
STEP Systems GmbH	1,852	-
DeLavel	-	56
Yiber Elektronik San ve Tic Ltd	-	2,110
AG Print Photo Studio	-	1,117
PIC Plastic Industrial Company Pty Ltd	-	3,317
Other prepayments	5,730	4,283
	27,915	10,940

The ageing analysis of advances and prepayments are stated below:

In thousand drams	As of December 31, 2016	As of December 31, 2015
up to 1 month	17,423	8,621
1-3 months	5,701	589
3-6 months	218	298
6-12 months	3,194	652
Over 1 years	1,379	780
	27,915	10,940

As of December 31, 2016 individual items of trade receivables at the gross carrying amount of drams 10,696 thousand (December 31, 2015: drams 821 thousand) were impaired and provided for. The amount of provision was drams 10,696 thousand (December 31, 2015: drams 821 thousand).

Movement of the allowance for doubtful receivables is presented below:

In thousand drams	2016	2015
Balance at the beginning of year	821	1,515
Increase in allowance during the period (refer to note 19)	10,350	-
Reversal of allowance (included in other income)	(475)	(694)
Balance at the end of year	10,696	821

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 25 for the currencies in which the trade and other receivables are denominated.

9 Cash and bank balances

In thousand drams	As of December 31, 2016	As of December 31, 2015
Cash in hand	759	451
Cash in transit	-	57
Bank balances	21,090	3,198
	21,849	3,706

10 Capital and reserves

10.1 Share capital

Number of shares unless otherwise stated	Ordinary shares 2016	Ordinary shares 2015
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 May 17, 2016 dividends amounting to drams 14,250 thousand have been paid to holders of ordinary shares. In January 15, 2015 the dividend paid was drams 6,650 thousand.

11 Obligations under finance leases

The Company's Mercedes-Benz Sprinter 516 CDI car is held under finance lease arrangements. As of December 31, 2016, the net carrying amount of the car leased is drams 13,237 thousand (December 31, 2015: drams nill), included as part of vehicles (refer to note 4).

The future minimum finance lease payments at the end of each reporting period were as follows:

In thousand drams	Minimum lease payments	
	As of December 31, 2016	As of December 31, 2015
Within one year		
Lease payments	4,457	-
Finance charges	(1,795)	-
	2,662	-
In second to fifth years inclusive		
Lease payments	14,115	-
Finance charges	(2,769)	-
	11,346	-
	14,008	-

The lease agreement for the car leased includes fixed lease payments and a purchase option at the end of the 5 year lease term. The agreement is non-cancellable and does not contain any further restrictions.

12 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)				Interest expense (in thousand drams)	
						2016		2015			
						Principal	Interest	Principal	Interest	2016	2015
Bank loan											
Inecobank CJSC	40,000	AMD	06.03.2016	22.06.2017	15.5%	40,000	526	-	-	9,818	-
Pro Credit Bank CJSC	40,000	AMD	20.06.2013	22.06.2015	14%	-	-	40,000	565	-	5,864
Bank overdraft											
Inecobank CJSC	60,000	AMD	06.02.2016	06.02.2017	15.75%	-	419	-	-	579	-
Pro Credit Bank CJSC	60,000	AMD	08.05.2012	08.05.2015	16%	-	-	1,995	-	-	2,374
Related party borrowing											
CARD Foundation	40,000	AMD	01.07.2014	04.04.2016	0%	40,000	-	50,000	-	-	-
						80,000	945	91,995	565	10,397	8,238

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

13 Trade and other payables

In thousand drams	As of December 31, 2016	As of December 31, 2015
Trade payables	67,699	52,455
Advances received	17,681	5,796
Payables to the State budget	5,597	3,758
Employee benefits payable	7,234	7,318
Other payables	945	1,119
	99,156	70,446

The average credit period on purchase of certain goods is 29 days (2015: 25 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.

14 Revenue

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Retail sales of goods	139,513	113,594
Wholesale sales of goods	844,654	885,137
Services provided	66,121	37,302
Rental income (refer to note 5)	20,400	20,400
	1,070,688	1,056,433

15 Cost of sales

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Cost of goods sold (retail)	101,086	88,348
Cost of goods sold (wholesale)	652,990	669,862
Cost of services provided	30,111	14,138
	784,187	772,348

16 Other income

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Reversal of inventory impairment (refer to note 7)	2,714	8,707
Other	2,980	3,458
	5,694	12,165

17 Distribution and marketing expenses

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Employee benefits	81,101	60,215
Transportation and insurance expenses	5,807	5,505
Commission and consignation expenses	8,638	6,229
Marketing and advertisement expenses	4,097	1,858
Depreciation expenses of property and equipment and investment property	17,222	13,840
Packaging and storing expenses	5,587	4,522
Other	5,485	2,788
	127,937	94,957

18 Administrative expenses

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Employee benefits	59,943	52,819
Depreciation and amortization expenses	3,717	9,791
Bank services and insurance expenses	4,574	4,571
Audit and consulting services expenses	2,932	3,565
Business trip and representation expenses	13,472	11,270
Rental expenses	8,770	8,520
Other	14,658	9,082
	108,066	99,618

19 Other expenses

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Impairment loss recognized on inventory (refer to note 7)	7,393	3,083
Expenses on creating an allowance for doubtful receivables, advances and prepayments	10,350	-
Conversion expenses, net	3,866	4,628
Other	1,237	4,820
	22,846	12,531

20 Finance costs

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Interest expense from bank loan and overdraft (refer to note 12)	10,397	8,238
Interest expense from finance lease	1,724	-
	12,121	8,238

21 Other financial items

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Gain from exchange differences on:		
Loans and receivables	170	(2,130)
Financial liabilities measured at amortized cost	1,795	4,575
	1,965	2,445

22 Income tax expense

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Current tax	8,031	16,967
Deferred tax (refer to note 6)	(1,402)	1,447
	6,629	18,414

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 (%)
Profit before taxation (under IFRS)	23,190		83,351	
Tax calculated at a tax rate of 20% (2015: 20%)	4,638	20.0	16,670	20.0
(Non-taxable)/non-deductible items, net	1,991	8.59	1,744	2.1
Income tax expense	6,629	28.6	18,414	22.1

23 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.

23.1 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.

24 Financial instruments

24.1 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 3.7.

24.2 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:		
Trade and other receivables	201,672	259,528
Cash and bank balances	21,849	3,706
	223,521	263,234

Financial liabilities

In thousand drams	As of December 31, 2016	As of December 31, 2015
Financial liabilities measured at amortized cost:		
Loans and borrowings	80,945	92,560
Trade and other payables	75,878	60,892
Obligations under finance leases	14,008	-
	170,831	153,452

25 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, 2016	US dollar	Euro	Other
Financial assets			
Cash and bank balances	22	54	-
	22	54	-
Financial liabilities			
Trade and other payables	2,542	55,421	7
	2,542	55,421	7
Net position	(2,520)	(55,367)	(7)

Item			
As of December 31, 2015	US dollar	Euro	Other
Financial assets			
Trade and other receivables	-	2,242	-
Cash and bank balances	1,226	31	-
	1,226	2,273	-
Financial liabilities			
Trade and other payables	6,942	40,572	7
	6,942	40,572	7
Net position	(5,716)	(38,299)	(7)

The following table details the Company'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
Profit or loss	252	572	7,417	3,830
	252	572	7,417	3,830

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, 2016	As of December 31, 2015
Financial assets at carrying amounts		
Trade and other receivables	201,672	259,528
Bank balances	21,090	3,198
	222,762	262,726

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 10,696 thousand as of December 31, 2016 (December 31, 2015: drams 821 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.

2016	Non-interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)			
Less than 6 months	68,644	40,945	109,589
6 months to 1 year	7,234	40,000	47,234
	75,878	80,945	156,823

2015	Non-interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)			
Less than 6 months	103,574	2,560	106,134
6 months to 1 year	7,318	40,000	47,318
	110,892	42,560	153,452

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.

26 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 12.

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, 2016	As of December 31, 2015
Total equity	655,956	653,645
Add: subordinated loan	40,000	50,000
Less: cash and bank balances	(21,849)	(3,706)
Capital	674,107	699,939
Total equity	655,956	653,645
Borrowings	80,945	92,560
Overall financing	736,901	746,205
Capital to overall financing ratio	91%	94%

27 Commitments

27.1 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, 2016	As of December 31, 2015
Within one year	8,660	8,760
1 to 5 years	7,810	16,484
	16,470	25,244

28 Contingencies

28.1 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.

28.2 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.

28.3 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.

28.4 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.

29 Related parties

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

29.1 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.

29.2 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, 2016	Year ended December 31, 2015
Ultimate Parent		
Sale of goods and items of property and equipment	23,613	45,689
Provision of services	20,400	21,800
Proceeds from borrowings	50,000	50,000
Repayment of borrowings	60,000	40,000
Acquisition of items of property and equipment	-	11,400
Acquisition of services	8,520	8,520
Immediate Parent		
Dividends declared		-
Dividends paid	14,250	7,000
Entities under common control		
Sale of goods	-	67,193
Received prepayments	-	6,058
Prepayments made	-	236
Acquisition of items of property and equipment	16,208	-
Acquisition of goods, raw materials and services	-	769
Other related parties		
Sale of goods	1,670	20,970
Received prepayments	-	10,540

In thousand drams

Outstanding balances	As of December 31, 2016	As of December 31, 2015
Ultimate Parent		
Trade and other receivables	1,418	1,921
Borrowings received	40,000	50,000
Trade and other payables	852	852
Entities under common control		
Trade and other payables	12,284	-

29.3 Transactions with management and close family members

Directors of the Company and their close family members as of December 31, 2016 and December 31, 2015 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, 2016	Year ended December 31, 2015
Salaries and bonuses	16,153	15,877
	16,153	15,877