# SEF International Universal Credit Organization LLC

Financial Statements

for the Year Ended 31 December 2009

# Contents

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# Independent Auditors' Report

To the management
SEF International Universal Credit Organization LLC

## Report on the Financial Statements

We have audited the accompanying financial statements of SEF International Universal Credit Organization LLC (the Organization), which comprise the statement of financial position as at 31 December 2009, and the statement of 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 notes.

*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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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 principles 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 opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2009, and 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 the Organization as at and for the year ended 31 December 2008 were audited by other auditors whose report dated 22 May 2009 expressed an unmodified opinion on those statements.

Andrew Coxshall
Director

KPMG Armenia cjsc
29 June 2010

Tigran Gasparyan
Head of Audit Department

| | Notes | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|---|
| Interest income | 4 | 560,984 | 459,925 |
| Interest expense | 4 | (277,652) | (166,527) |
| **Net interest income** | | **283,332** | **293,398** |
| Fee and commission income | | 59,321 | 52,865 |
| Fee and commission expense | | (8,450) | (6,601) |
| **Net fee and commission income** | | **50,871** | **46,264** |
| Net loss on financial instruments at fair value through profit or loss | | (1,535) | (29,393) |
| Net foreign exchange loss | 5 | (107,342) | (6,510) |
| Other operating income | 6 | 145,882 | 23,951 |
| **Operating income** | | **371,208** | **327,710** |
| Impairment losses | 7 | (84,505) | (38,647) |
| General administrative expenses | 8 | (343,039) | (283,254) |
| **(Loss)/profit before taxes** | | **(56,336)** | **5,809** |
| Income tax expense | 9 | (13,041) | (1,685) |
| **(Loss)/profit** | | **(69,377)** | **4,124** |
| **Other comprehensive income** | | | |
| Revaluation of property and equipment, net of tax | | 1,306 | - |
| **Total comprehensive income** | | **(68,071)** | **4,124** |

The financial statements as set out on pages 5 to 39 were approved by management on 29 June 2010.

Garegin Gevorgyan
Chief Executive Officer

Irina Ohanyan
Chief Accountant

The statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

| | Notes | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | | 3,992 | 2,320 |
| Placements with banks | 10 | 1,181,274 | 894,081 |
| Loans to customers | 11 | 2,046,855 | 2,396,469 |
| Current tax asset | | - | 5,422 |
| Property, equipment and intangible assets | 12 | 82,702 | 88,470 |
| Deferred tax asset | 9 | 10,056 | 5,740 |
| Other assets | | 7,363 | 10,396 |
| **Total assets** | | **3,332,242** | **3,402,898** |
| **LIABILITIES** | | | |
| Loans and borrowings | 13 | 2,454,413 | 2,697,588 |
| Other liabilities | 14 | 78,769 | 78,741 |
| **Total liabilities** | | **2,533,182** | **2,776,329** |
| **EQUITY** | | | |
| Share capital | 15 | 764,968 | 512,160 |
| Revaluation surplus for property and equipment | | 1,311 | 43 |
| Additional paid-in capital | | 2,541 | 14,787 |
| Retained earnings | | 30,240 | 99,579 |
| **Total equity** | | **799,060** | **626,569** |
| **Total liabilities and equity** | | **3,332,242** | **3,402,898** |

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

| | Notes | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Interest receipts | | 542,349 | 453,491 |
| Interest payments | | (283,042) | (150,863) |
| Fee and commission receipts | | 59,321 | 52,865 |
| Fee and commission payments | | (8,450) | (6,601) |
| Net payments from financial instruments at fair value through profit or loss | | (8,341) | (44,660) |
| Net foreign exchange payments | | (2,357) | (1,420) |
| Other receipts | | 130,071 | 9,022 |
| General administrative expense payments | | (310,411) | (243,849) |
| **(Increase) decrease in operating assets** | | | |
| Placements with banks | | (110,224) | (609,916) |
| Loans to customers | | 421,566 | (887,658) |
| Other assets | | (711) | (1,500) |
| **Increase (decrease) in operating liabilities** | | | |
| Other liabilities | | 7,658 | (7,326) |
| **Net cash provided from (used in) operating activities before income tax paid** | | **437,429** | **(1,438,415)** |
| Income tax paid | | (4,676) | (6,062) |
| **Cash flows from/(used in) operations** | | **432,753** | **(1,444,477)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of property and equipment | | (19,470) | (6,183) |
| Proceeds on disposal of property and equipment | | 4,420 | 115 |
| **Cash flows used in investing activities** | | **(15,050)** | **(6,068)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Receipts of loans and borrowings | | 644,637 | 2,082,061 |
| Repayments of loans and borrowings | | (1,161,271) | (554,661) |
| Proceeds from issuance of share capital | | - | 6,084 |
| **Cash flows (used in)/from financing activities** | | **(516,634)** | **1,533,484** |
| **Net (decrease) increase in cash and cash equivalents** | | **(98,931)** | **82,939** |
| Effect of changes in exchange rates on cash and cash equivalents | | 43,314 | (4,465) |
| Cash and cash equivalents as at the beginning of the year | | 158,869 | 80,395 |
| **Cash and cash equivalents as at the end of the year** | 22 | **103,252** | **158,869** |

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

| | Share capital | Revaluation surplus for property and equipment | Additional paid-in capital | Retained earnings | Total |
|---|---|---|---|---|---|
| | **AMD'000** | **AMD'000** | **AMD'000** | **AMD'000** | **AMD'000** |
| **Balance as at 1 January 2008** | **490,000** | **423** | **14,787** | **125,218** | **630,428** |
| **Total comprehensive income** | | | | | |
| Profit | - | - | - | 4,124 | 4,124 |
| **Other comprehensive income** | | | | | |
| Realization of property and equipment revaluation reserve | - | (380) | - | 380 | - |
| Total other comprehensive income | - | (380) | - | 380 | - |
| **Total comprehensive income** | **-** | **(380)** | **-** | **4,504** | **4,124** |
| **Transactions with owners, recorded directly in equity** | | | | | |
| **Contributions by and distributions to owners** | | | | | |
| Shares issued | 6,084 | - | - | - | 6,084 |
| Reclassification of retained earnings to share capital (note 15) | 16,076 | - | - | (16,076) | - |
| Dividends distributed to shareholder | - | - | - | (14,067) | (14,067) |
| **Total transactions with owners, recorded directly in equity** | **22,160** | **-** | **-** | **(30,143)** | **(7,983)** |
| **Balance as at 31 December 2008** | **512,160** | **43** | **14,787** | **99,579** | **626,569** |
| | | | | | |
| **Balance as at 1 January 2009** | **512,160** | **43** | **14,787** | **99,579** | **626,569** |
| **Total comprehensive income** | | | | | |
| Loss | - | - | - | (69,377) | (69,377) |
| **Other comprehensive income** | | | | | |
| Realization of property and equipment revaluation reserve | - | (38) | - | 38 | - |
| Revaluation of property and equipment, net of tax | - | 1,306 | - | - | 1,306 |
| Total other comprehensive income | - | 1,268 | - | 38 | 1,306 |
| **Total comprehensive income** | **-** | **1,268** | **-** | **(69,339)** | **(68,071)** |
| **Transactions with owners, recorded directly in equity** | | | | | |
| **Contributions by and distributions to owners** | | | | | |
| Shares issued | 240,562 | - | - | - | 240,562 |
| Transfer of additional paid-in capital to share capital (note 15) | 12,246 | - | (12,246) | - | - |
| **Total transactions with owners, recorded directly in equity** | **252,808** | **-** | **(12,246)** | **-** | **240,562** |
| **Balance as at 31 December 2009** | **764,968** | **1,311** | **2,541** | **30,240** | **799,060** |

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

# 1 Background

## Principal activities

SEF International Universal Credit Organization LLC (the Organization) was established in the Republic of Armenia as a limited liability company in 2003 as a legal succesor of SEF International LLC which had been involved in microfinance lending in Armenia since 1998. The principal activities of the Organization are the provision of microfinance, individual business loans and consumption loans. The activities of the Organization are regulated by the Central Bank of Armenia (CBA). The Organization has a credit organization license.

The Organization has 4 branches and 3 representative offices from which it conducts business throughout the Republic of Armenia. The registered address of the head office is 19/19 Yervand Kochar Street, Yerevan, Armenia. The average number of people employed during the year was 65 (2008: 50).

## Shareholder

The Organization is wholly-owned by Vision Fund International. Related party transactions are detailed in note 21.

## Armenian business environment

Armenia is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Armenia involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The financial statements reflect management's assessment of the impact of the Armenian business environment on the operations and the financial position of the Organization. The future business environment may differ from management's assessment.

# 2 Basis of preparation

## Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

## Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss are stated at fair value, and computer equipment is stated at revalued amounts.

## Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram ("AMD"), which is the Organization's functional currency and the currency in which these financial statements are presented. All financial information presented in AMD has been rounded to the nearest thousand.

### Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRS. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in note 11 “Loans to customers” in relation to loan impairment estimates and notes 10 and 13 relating to gross presentation of loans to and deposits from the same banks with similar terms.

## 3 Significant accounting policies

The following significant accounting policies are consistently applied in the preparation of the financial statements. Changes in accounting policies are described at the end of this note.

### Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Organization at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### Cash and cash equivalents

The Organization includes cash and current accounts with banks in cash and cash equivalents.

### Financial instruments

#### *Classification*

*Financial instruments at fair value through profit or loss* are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Organization may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Organization:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Management determines the appropriate classification of financial instruments at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial asset that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeble future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

### *Recognition*

Financial assets and liabilities are recognized in the statement of financial position when the Organization becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

### *Measurement*

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method
- held-to-maturity investments that are measured at amortized cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost. Amortized cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument. Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayments discounted at market interest rates for similar instruments. The difference between the fair value and the nominal value at origination is credited or charged to profit or loss as gains or losses on origination of financial instruments at rates different from market rates. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortization of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

### *Fair value measurement principles*

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. Where a quoted market price is not available, fair value is determined using valuation techniques with a maximum use of market inputs. Such valuation techniques include reference to recent arm's length market transactions, current market prices of substantially similar instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Organization would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties and own credit risk.

### *Gains and losses on subsequent measurement*

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss
- a gain or loss on an available-for-sale asset is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in profit or loss. Interest in relation to an available-for-sale asset is recognized as earned in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

### *Derecognition*

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Organization transfers substantially all the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Organization also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

### *Offsetting*

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

## Property and equipment

### *Owned assets*

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for computer equipment which is stated at revalued amounts as described below.

### *Revaluation*

Computer equipment is subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the computer equipment being revalued. A revaluation increase on an item of computer equipment is recognised as other comprehensive income directly in equity except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on an item of computer equipment is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised directly in equity.

### *Depreciation*

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Leasehold improvements are depreciated over the shorter of the asset useful life and the lease term.
The estimated useful lives are as follows:

| | |
|---|---|
| - buildings | 20 years |
| - computer equipment | 1-5 years |
| - motor vehicles | 7 years |
| - leasehold improvements | 5 years |
| - other | 3-5 years |

## Intangible assets

Intangible assets that are acquired by the Organization are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life of the computer software is 10 years.

## Impairment

### *Financial assets carried at amortized cost*

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Organization reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance on terms that the Organization would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Organization first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Organization determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Organization uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Organization writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

### *Non financial assets*

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Provisions

A provision is recognised in the statement of financial position when the Organization has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## Credit related commitments

In the normal course of business, the Organization enters into credit related commitments, comprising undrawn loan commitments.

## Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

### *Dividends*

The ability of the Organization to declare and pay dividends is subject to the rules and regulations of the Armenian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

## Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

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

Deferred tax is provided using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

## Donations

Donations received by the World Vision International network from third parties, the original intention of which was to support the Organization, and passed on to the Organization are recognized in profit and loss on receipt.

## Comparative information

Comparative information is reclassified to conform to changes in presentation in the current year. The reclassification represents regrouping or combination of several items in the statement of comprehensive income, the statement of financial position and in the notes to the financial statements made to achieve better presentation. The statement of financial position as at the beginning of the earliest comparative period is not presented on the basis that the effect of the reclassifications is not judged to be material.

## Changes in accounting policies

Starting from 1 January 2009 the Organization adopted the revised version of IAS 1 *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009). As a result the income statement is replaced by a statement of comprehensive income that also includes all non-owner changes in equity, such as the revaluation of property and equipment. The balance sheet is renamed to the statement of financial position and the cash flow statement is renamed to the statement of cash flows. According to the revised IAS 1, a statement of financial position at the beginning of the earliest comparative period is presented whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors.

Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis.

## New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2009, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Organization's operations. The Organization plans to adopt these pronouncements when they become effective. The Organization has not yet analysed the likely impact of these pronouncements on its financial statements.

- Revised IAS 24 *Related Party Disclosures* (2009) (effective for annual periods beginning on or after 1 January 2011) introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Organization recognizes that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Organization's financial statements. The impact of these changes will be analyzed during the course of the project as further phases of the standard are issued.

Various *Improvements to IFRSs* which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2010.

# 4 Net interest income

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| **Interest income** | | |
| Loans to customers | 504,622 | 448,239 |
| Placements with banks | 56,362 | 11,686 |
| | **560,984** | **459,925** |
| **Interest expense** | | |
| Loans and borrowings | **277,652** | **166,527** |

# 5 Net foreign exchange loss

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| Net loss from revaluation of financial assets and liabilities | 104,985 | 5,090 |
| Loss on spot transactions | 2,357 | 1,420 |
| | **107,342** | **6,510** |

# 6 Other operating income

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| Donations | 122,898 | 14,929 |
| Fines and penalties received | 16,322 | 7,699 |
| Gain/(loss) on disposal of property and equipment | 4,124 | 5 |
| Other | 2,538 | 1,318 |
| | **145,882** | **23,951** |

Donations represent funds received by the World Vision International network from third parties and passed on to the Organization for developmet of microfinance in rural areas where availability of credit resources to the population is limited.

# 7 Impairment losses/(reversals)

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| Loans to customers | 84,538 | 38,676 |
| Other assets | (33) | (29) |
| | **84,505** | **38,647** |

# 8 General administrative expenses

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| Employee compensation | 196,865 | 149,687 |
| Depreciation and amortization | 26,575 | 27,770 |
| Occupancy | 20,798 | 19,221 |
| Payroll related taxes | 19,226 | 15,980 |
| Repairs and maintenance | 16,467 | 16,153 |
| Professional services | 14,907 | 14,909 |
| Communication expenses | 10,784 | 9,962 |
| Travel expenses | 8,903 | 3,432 |
| Security | 3,516 | 3,128 |
| Advertising and marketing | 2,108 | 1,911 |
| Insurance | 1,077 | 1,073 |
| Other | 21,813 | 20,028 |
| | **343,039** | **283,254** |

# 9 Income tax expense

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| **Current tax expense** | | |
| Current year | 17,684 | - |
| | **17,684** | **-** |
| **Deferred tax (benefit)/expense** | | |
| Origination and reversal of temporary differences | (4,643) | 1,685 |
| **Total income tax expense** | **13,041** | **1,685** |

The applicable tax rate for current tax is 20% (2008: 20%). The Organization applied a 20% deferred tax rate (2008: 20%).

## Reconciliation of effective tax rate:

| | 2009 AMD'000 | % | 2008 AMD'000 | % |
|---|---|---|---|---|
| (Loss)/profit before income tax | (56,336) | | 5,809 | |
| Income tax at the applicable tax rate | (11,267) | 20% | 1,162 | 20% |
| Non-deductible costs | 24,308 | (43%) | 523 | 9% |
| | **13,041** | **(23%)** | **1,685** | **29%** |

## Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as of 31 December 2009 and 2008. These deferred tax assets have been recognised in these financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Organization's ability to claim the deductions in future periods.

These deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences during the years ended 31 December 2009 and 2008 are presented as follows:

| AMD'000 | Balance 1 January 2009 | Recognised in profit or loss | Recognised in other comprehensive income | Balance 31 December 2009 |
|---|---|---|---|---|
| Placements with banks | (1,718) | (578) | - | (2,296) |
| Loans to customers | - | 5,000 | - | 5,000 |
| Property, plant and equipment | (11) | 10 | (327) | (328) |
| Other assets | (68) | 5 | - | (63) |
| Other liabilities | 7,359 | 384 | - | 7,743 |
| Tax loss carry-forward | 178 | (178) | - | - |
| | **5,740** | **4,643** | **(327)** | **10,056** |

| AMD'000 | Balance 1 January 2008 | Recognised in profit or loss | Recognised in other comprehensive income | Balance 31 December 2008 |
|---|---|---|---|---|
| Placements with banks | (365) | (1,353) | - | (1,718) |
| Property and equipment | (106) | 95 | - | (11) |
| Other assets | (68) | - | - | (68) |
| Other liabilities | 7,964 | (605) | - | 7,359 |
| Tax loss carry-forward | - | 178 | - | 178 |
| | **7,425** | **(1,685)** | **-** | **5,740** |

## Income tax recognised in other comprehensive income

The tax effects relating to components of other comprehensive income comprise:

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| AMD'000 | Amount before tax | Tax expense | Amount net-of-tax | Amount before tax | Tax expense | Amount net-of-tax |
| Revaluation surplus for property and equipment | **1,633** | **(327)** | **1,306** | **-** | **-** | **-** |

# 10 Placements with banks

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| **Current accounts** | | |
| Largest 10 Armenian banks | 99,218 | 156,515 |
| Other Armenian banks | 42 | 34 |
| **Total current accounts** | **99,260** | **156,549** |
| | | |
| **Term deposits** | | |
| Largest 10 Armenian banks | 967,294 | 719,635 |
| Other Armenian banks | 114,720 | 17,897 |
| **Total loans and deposits** | **1,082,014** | **737,532** |
| **Total placements with banks** | **1,181,274** | **894,081** |

## Concentration of placements with banks

Both as at 31 December 2009 and 2008 the Organization has two banks whose balances exceeded 10% of total placements with banks. The gross value of these balances as of 31 December 2009 and 2008 are AMD 967,279 thousand and AMD 812,111 thousand, respectively.

As at 31 December 2009 deposits of AMD 472,363 thousand (2008: AMD 702,412 thousand) are pledged under loans from banks disclosed in note 13.

# 11 Loans to customers

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| **Loans to legal entities** | | |
| Business loans to small companies and sole entrepreneurs | 912,613 | 723,643 |
| **Total loans to legal entities** | **912,613** | **723,643** |
| | | |
| **Loans to individuals** | | |
| Agricultural loans | 649,414 | 1,026,573 |
| Consumer loans | 460,712 | 636,129 |
| Renovation loans | 101,694 | 52,062 |
| **Total loans to individuals** | **1,211,820** | **1,714,764** |
| | | |
| **Gross loans to customers** | **2,124,433** | **2,438,407** |
| Impairment allowance | (77,578) | (41,938) |
| **Net loans to customers** | **2,046,855** | **2,396,469** |

Movements in the loan impairment allowance for the year ended 31 December are as follows:

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| Balance at the beginning of the year | 41,938 | 26,420 |
| Net charge | 84,538 | 38,676 |
| Write-offs | (48,898) | (23,158) |
| **Balance at the end of the year** | **77,578** | **41,938** |

## Credit quality of the loans to legal entities portfolio

The following table provides information on the credit quality of the loans to legal entities portfolio as at 31 December 2009:

| | Gross loans AMD'000 | Impairment AMD'000 | Net loans AMD'000 | Impairment to gross loans % |
|---|---|---|---|---|
| **Business loans to small companies and soles enterpreneurs** | | | | |
| Loans without individual signs of impairment | | | | |
| - Not overdue | 882,205 | 7,058 | 875,147 | 0.80% |
| - overdue 30-89 days | 9,874 | 987 | 8,887 | 10.00% |
| - overdue 90-179 days | 16,781 | 10,908 | 5,873 | 65.00% |
| - overdue more than 180 days | 3,753 | 3,753 | - | 100.00% |
| **Total business loans to small companies and sole entrepreneurs** | **912,613** | **22,706** | **889,907** | **2.49%** |

The following table provides information on the credit quality of the loans to legal entities portfolio as at 31 December 2008:

| | Gross loans AMD'000 | Impairment AMD'000 | Net loans AMD'000 | Impairment to gross loans % |
|---|---|---|---|---|
| **Business loans to small companies and sole enterpreneurs** | | | | |
| Loans without individual signs of impairment | | | | |
| - Not overdue | 698,703 | 4,891 | 693,812 | 0.70% |
| - overdue less than 30 days | 14,269 | 713 | 13,556 | 5.00% |
| - overdue 90-179 days | 10,671 | 6,938 | 3,733 | 65.02% |
| **Total business loans to small companies and sole entrepreneurs** | **723,643** | **12,542** | **711,101** | **1.73%** |

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and which can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment include the following:

- overdue payments under the loan agreement
- significant difficulties in the financial conditions of the borrower
- deterioration in business environment, negative changes in the borrower's markets

The Organization estimated loan impairment for loans to legal entities based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

As of 31 December 2009 the Organization does not have individually significant loans with signs of impairment.

In determining the impairment allowance for loans to legal entities, management made the following key assumptions:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 12 months
- loans to legal entities overdue for more than 180 days are allocated 100% probability of loss.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the loan impairment provision on loans to legal entities as of 31 December 2009 would be AMD 8,899 thousand lower/higher (31 December 2008: AMD 7,111 thousand).

During the year ended 31 December 2009 the Organization renegotiated loans to legal entitites that would otherwise be past due or impaired of AMD 13,466 thousand (31 December 2008: nil). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities.

## *Analysis of collateral*

The following table provides the analysis of loans to legal entitites portfolio, net of impairment, by types of collateral as at 31 December 2009 and 2008:

| | **2009 AMD'000** | **% of loan portfolio** | **2008 AMD'000** | **% of loan portfolio** |
|---|---|---|---|---|
| Real estate | 884,403 | 99% | 708,486 | 99% |
| Motor vehicles | 5,504 | 1% | 2,615 | 1% |
| | **889,907** | **100%** | **711,101** | **100%** |

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

Impaired or overdue loans with a gross value of AMD 30,408 thousand are secured by collateral with a fair value of AMD 61,209 thousand.

During the year ended 31 December 2009 the Organization did not obtain any assets by taking control of collateral accepted as security for loans to legal entities (31 December 2008: nil).

### *Analysis of movements in the impairment allowance*

Movements in the loan impairment allowance by classes of loans to legal entities for the year ended 31 December 2009 and 2008 are as follows:

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| Loan impairment allowance as at 1 January | 12,542 | 9,960 |
| Loans written off as uncollectible | (5,892) | (8,201) |
| Loan impairment losses | 16,056 | 10,783 |
| **Loan impairment allowance as at 31 December** | **22,706** | **12,542** |

## Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals collectively assessed for impairment as at 31 December 2009:

| | Gross loans AMD'000 | Impairment AMD'000 | Net loans AMD'000 | Impairment to gross loans, % |
|---|---|---|---|---|
| **Agricultural loans** | | | | |
| - Not past due | 563,218 | 4,506 | 558,712 | 0.80% |
| - Overdue less than 30 days | 12,210 | 1,221 | 10,989 | 10.00% |
| - Overdue 30-89 days | 31,753 | 6,351 | 25,402 | 20.00% |
| - Overdue 90-179 days | 16,406 | 6,301 | 10,105 | 38.41% |
| - Overdue more than 180 days | 25,827 | 25,827 | - | 100.00% |
| **Total agricultural loans** | **649,414** | **44,206** | **605,208** | **6.81%** |
| **Consumer loans** | | | | |
| - Not past due | 456,909 | 3,655 | 453,254 | 0.80% |
| - Overdue more than 180 days | 3,803 | 3,803 | - | 100.00% |
| **Total consumer loans** | **460,712** | **7,458** | **453,254** | **1.62%** |
| **Renovation loans** | | | | |
| - Not past due | 99,986 | 1,500 | 98,486 | 1.50% |
| - Overdue more than 180 days | 1,708 | 1,708 | - | 100.00% |
| **Total renovation loans** | **101,694** | **3,208** | **98,486** | **3.15%** |
| **Total loans to individuals** | **1,211,820** | **54,872** | **1,156,948** | **4.53%** |

The following table provides information on the credit quality of loans to individuals collectively assessed for impairment as at 31 December 2008:

| | Gross loans AMD'000 | Impairment AMD'000 | Net loans AMD'000 | Impairment to gross loans % |
|---|---|---|---|---|
| **Agricultural loans** | | | | |
| - Not past due | 980,962 | 5,886 | 975,076 | 0.60% |
| - Overdue less than 30 days | 6,040 | 604 | 5,436 | 10.00% |
| - Overdue 30-89 days | 11,270 | 2,254 | 9,016 | 20.00% |
| - Overdue 90-179 days | 18,918 | 6,375 | 12,543 | 33.70% |
| - Overdue more than 180 days | 9,383 | 9,383 | - | 100.00% |
| **Total agricultural loans** | **1,026,573** | **24,502** | **1,002,071** | **2.39%** |
| **Consumer loans** | | | | |
| - Not past due | 632,979 | 3,798 | 629,181 | 0.60% |
| - Overdue 30-89 days | 3,030 | 455 | 2,575 | 15.02% |
| - Overdue more than 180 days | 120 | 120 | - | 100.00% |
| **Total consumer loans** | **636,129** | **4,373** | **631,756** | **0.69%** |
| **Renovation loans** | | | | |
| - Not past due | 52,062 | 521 | 51,541 | 1.00% |
| **Total renovation loans** | **52,062** | **521** | **51,541** | **1.00%** |
| **Total loans to individuals** | **1,714,764** | **29,396** | **1,685,368** | **1.71%** |

The Organization estimates loan impairment based on its past historical loss experience on these types of loans.

In determining the impairment allowance for loans to individuals, management made the following key assumptions:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 12 months,
- loans to individuals overdue for more than 180 days are allocated 100% probability of loss.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus three percent, the loan impairment on loans to individuals as of 31 December 2009 would be AMD 34,708 thousand lower/higher (31 December 2008: AMD 50,561 thousand).

### *Analysis of collateral*

The following table provides the analysis of loans to individuals portfolio, net of impairment, by types of collateral as at 31 December 2009 and 2008:

| | 2009 AMD'000 | % of loan portfolio | 2008 AMD'000 | % of loan portfolio |
|---|---|---|---|---|
| Real estate | 472,507 | 41% | 340,506 | 20% |
| Gold collateral | 432,177 | 37% | 635,899 | 38% |
| Livestock | 201,946 | 18% | 644,744 | 38% |
| Motor vehicles | 50,318 | 4% | 64,219 | 4% |
| | **1,156,948** | **100%** | **1,685,368** | **100%** |

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

Agricultural loans are secured by real estate, motor vehicles and livestock. Consumer loans are secured by gold collateral. Renovation loans are secured by the underlying housing real estate.

### *Analysis of movements in the impairment allowance*

Movements in the loan impairment allowance by classes of loans to individuals for the year ended 31 December 2009 are as follows:

| AMD'000 | Agricultural loans | Consumer loans | Renovation loans | Total |
|---|---|---|---|---|
| Loan impairment allowance as at 1 January | 24,502 | 4,373 | 521 | 29,396 |
| Loans written off as uncollectible | (35,412) | (7,594) | - | (43,006) |
| Loan impairment losses | 55,116 | 10,679 | 2,687 | 68,482 |
| **Loan impairment allowance as at 31 December** | **44,206** | **7,458** | **3,208** | **54,872** |

Movements in the loan impairment allowance by classes of retail loans for the year ended 31 December 2008 are as follows:

| AMD'000 | Agricultural loans | Consumer loans | Renovation loans | Total |
|---|---|---|---|---|
| Loan impairment allowance as at 1 January | 12,207 | 4,253 | - | 16,460 |
| Loans written off as uncollectible | (10,998) | (3,959) | - | (14,957) |
| Loan impairment losses | 23,293 | 4,079 | 521 | 27,893 |
| **Loan impairment allowance as at 31 December** | **24,502** | **4,373** | **521** | **29,396** |

## Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Republic of Armenia who operate in the following economic sectors:

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| Trade | 694,198 | 609,513 |
| Agriculture | 649,414 | 1,026,573 |
| Consumer loans | 460,712 | 636,129 |
| Renovation loans | 101,694 | 52,062 |
| Food industry | 99,816 | 21,731 |
| Manufacturing | 47,867 | 7,349 |
| Light industry | 33,631 | 29,810 |
| Other | 37,101 | 55,240 |
| | **2,124,433** | **2,438,407** |
| Impairment allowance | (77,578) | (41,938) |
| | **2,046,855** | **2,396,469** |

## Significant credit exposures

Both as at 31 December 2009 and 2008 the Organization has no borrowers or groups of connected borrowers, whose loan balances exceed 10% of loans to customers.

### Loan maturities

The maturity of the loan portfolio is presented in note 25, which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Organization, it is likely that many of the loans will be prolonged at maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the term based on contractual terms.

# 12 Property, equipment and intangible assets

| AMD'000 | Buildings | Computer equipment | Motor vehicles | Computer software | Leasehold improvements | Other | Total |
|---|---|---|---|---|---|---|---|
| **Cost/revalued amount** | | | | | | | |
| At 1 January 2009 | 825 | 32,853 | 38,127 | 20,763 | 22,477 | 24,588 | 139,633 |
| Additions | - | 2,449 | 13,117 | - | - | 3,904 | 19,470 |
| Revaluation | - | (17,707) | - | - | - | - | (17,707) |
| Disposals | - | (424) | - | (768) | - | (1,531) | (2,723) |
| **At 31 December 2009** | **825** | **17,171** | **51,244** | **19,995** | **22,477** | **26,961** | **138,673** |
| **Depreciation** | | | | | | | |
| At 1 January 2009 | 330 | 18,097 | 10,962 | 6,351 | 7,258 | 8,165 | 51,163 |
| Depreciation charge | 41 | 8,532 | 5,632 | 2,082 | 5,197 | 5,091 | 26,575 |
| Revaluation | - | (19,340) | - | - | - | - | (19,340) |
| Disposals | - | (412) | - | (518) | - | (1,497) | (2,427) |
| **At 31 December 2009** | **371** | **6,877** | **16,594** | **7,915** | **12,455** | **11,759** | **55,971** |
| **Carrying value** | | | | | | | |
| **At 31 December 2009** | **454** | **10,294** | **34,650** | **12,080** | **10,022** | **15,202** | **82,702** |
| **Cost/revalued amount** | | | | | | | |
| At 1 January 2008 | 825 | 33,432 | 38,127 | 20,609 | 22,477 | 24,050 | 139,520 |
| Additions | - | 2,835 | - | 154 | - | 3,194 | 6,183 |
| Disposals | - | (3,414) | - | - | - | (2,656) | (6,070) |
| **At 31 December 2008** | **825** | **32,853** | **38,127** | **20,763** | **22,477** | **24,588** | **139,633** |
| **Depreciation** | | | | | | | |
| At 1 January 2008 | 289 | 10,554 | 5,798 | 4,277 | 2,484 | 5,951 | 29,353 |
| Depreciation charge | 41 | 10,906 | 5,164 | 2,074 | 4,774 | 4,811 | 27,770 |
| Disposals | - | (3,363) | - | - | - | (2,597) | (5,960) |
| **At 31 December 2008** | **330** | **18,097** | **10,962** | **6,351** | **7,258** | **8,165** | **51,163** |
| **Carrying value** | | | | | | | |
| **At 31 December 2008** | **495** | **14,756** | **27,165** | **14,412** | **15,219** | **16,423** | **88,470** |

### Revalued assets

In 2010 the management internally appraised computer equipment in order to determine its fair value as at 31 December 2009.

The basis used for the appraisal is the market approach. The market approach is based upon an analysis of the results of comparable sales of similar computer equipment.

The carrying value of computer equipment as of 31 December 2009, if the computer equipment would not have been revalued, would be AMD 8,655 thousand (31 December 2008: AMD 14,703 thousand).

# 13 Loans and borrowings

This note provides information about the contractual terms of the Organization's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Organization's exposure to interest rate, foreign currency and liquidity risk, see notes 16, 24 and 26.

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| ***Non-current liabilities*** | | |
| Secured bank loans | 46,773 | 432,282 |
| Secured loans from other entities | 1,679 | - |
| Unsecured loans from related party | - | 200,131 |
| Unsecured loans from other entities | 226,734 | 1,171,709 |
| | **275,186** | **1,804,122** |
| ***Current liabilities*** | | |
| Secured bank loans | 295,512 | 192,387 |
| Secured loans from other entities | 1,664 | - |
| Unsecured loans from related party | 525,527 | 437,406 |
| Unsecured loans from other entities | 1,356,524 | 263,673 |
| | **2,179,227** | **893,466** |
| | **2,454,413** | **2,697,588** |

Terms and conditions of outstanding loans and borrowings were as follows:

| | | | | **2009** | | **2008** | |
|---|---|---|---|---|---|---|---|
| **'000 AMD** | **Currency** | **Nominal interest rate** | **Year of maturity** | **Face* value** | **Carrying amount** | **Face value** | **Carrying amount** |
| Secured bank loan | AMD | 6.50 | 2009 | - | - | 73,510 | 73,510 |
| Secured bank loan | AMD | 8.00 | 2009 | - | - | 118,877 | 118,877 |
| Secured bank loan | AMD | 8.00 | 2010 | 295,512 | 295,512 | 432,282 | 432,282 |
| Secured bank loan | AMD | 8.00 | 2012 | 46,773 | 46,773 | - | - |
| Secured loan from other entities | AMD | 7.50 | 2011 | 2,052 | 2,052 | - | - |
| Secured loans from other entities | AMD | 7.50 | 2012 | 1,291 | 1,291 | - | - |
| Unsecured loans from related parties** | USD | 0.00 | 2012 | - | - | 46,551 | 34,305 |
| Unsecured loans from related parties | USD | 6.67 | 2009 | - | - | 18,347 | 18,347 |
| Unsecured loans from related parties | USD | 6.67 | 2010 | - | - | 24,513 | 24,513 |
| Unsecured loans from related parties | USD | 6.67 | 2011 | - | - | 14,794 | 14,794 |
| Unsecured loans from related parties | USD | 9.17 | 2009 | - | - | 107,410 | 107,410 |
| Unsecured loans from related parties | USD | 9.72 | 2013 | - | - | 49,811 | 49,811 |
| Unsecured loans from related parties | USD | 10.00 | 2012 | - | - | 53,868 | 53,868 |
| Unsecured loans from related parties | USD | 10.83 | 2009 | - | - | 242,457 | 242,457 |
| Unsecured loans from related parties | USD | 5.00 | 2010 | 94,486 | 94,486 | 92,032 | 92,032 |
| Unsecured loans from related parties | USD | 10.33 | 2011 | 431,041 | 431,041 | - | - |
| Unsecured loans from other entities | AMD | 2.00 | 2009 | - | - | 11,229 | 11,229 |
| Unsecured loans from other entities | AMD | 10.56 | 2009 | - | - | 156,334 | 156,334 |
| Unsecured loans from other entities | USD | 9.73 | 2011 | 467,248 | 467,248 | 361,922 | 361,922 |
| Unsecured loans from other entities | USD | 10.00 | 2010 | 381,998 | 381,998 | 310,064 | 310,064 |
| Unsecured loans from other entities | USD | 10.44 | 2010 | 265,737 | 265,737 | 215,697 | 215,697 |
| Unsecured loans from other entities | USD | 11.11 | 2010 | 171,048 | 171,048 | 138,881 | 138,881 |
| Unsecured loans from other entities | USD | 11.39 | 2011 | 297,227 | 297,227 | 241,255 | 241,255 |
| | | | | **2,454,413** | **2,454,413** | **2,709,834** | **2,697,588** |

* Face value in the above table includes principal and accrued interest.
** Loans from related parties include loans received from the shareholder - Vision Fund International and loans received from the ultimate controlling party – World Vision International.

The bank loans are secured by term deposits with similar terms pledged at the same banks in the total amount of AMD 472,363 thousand (2008: AMD 702,412 thousand) disclosed in the note 10. The Organization accounts for bank loans secured by term deposits on a gross basis as management believes that:

- such accounting achieves a better presentation of the Organization's cash flows
- there is no legal right to offset these term deposits with the loans

### Concentration of loans and borrowings

As of 31 December 2009 and 2008, the Organization has 6 and 4 entities, respectively, whose balances exceed 10% of total loans and borrowings. These balances as of 31 December 2009 and 2008 are AMD 2,185,537 thousand and AMD 1,842,158 thousand, respectively.

### Breach of covenants

As of 31 December 2009 the Organisation has breached covenants in relation to the unsecured loan of AMD 431,041 thousand from a related party and the unsecured loan of AMD 297,227 thousand from other entities that are repayable in 2011. According to the terms of agreements, the Organizaton is subject to debt covenants, stating that for any particular time period the ratio of loans overdue more than 30 days and restructured loans to the gross loan portfolio cannot exceed 5% and the ratio of written-off loans to annual average outstanding amount of loans cannot exceed 2%. As a result, the loans became payable on demand and the Organization has reclassified the loans as due on demand in notes 12, 16 and 25.

## 14 Other liabilities

| | **2009 AMD'000** | **2008 AMD'000** |
|---|---:|---:|
| Grants | 25,429 | 38,288 |
| Payables to employees | 22,899 | 15,775 |
| Payables to suppliers | 12,417 | 15,166 |
| Taxes payable other than on income | 8,201 | 2,351 |
| Current tax liability | 7,586 | - |
| Financial liabilities at fair value through profit and loss | - | 6,806 |
| Other | 2,237 | 355 |
| | **78,769** | **78,741** |

# 15 Share capital

## Issued capital

As of 31 December 2009 authorised, issued and outstanding share capital comprises 100 ordinary shares (2008: 100). All shares have a nominal value of AMD 7,649,680 (2008: AMD 5,121,600).

In 2009 the loans from the shareholder with interest rates below market were forgiven and reclassified to share capital. As a result of the above share capital increased by the carrying amount of the loan AMD 240,562 and related additional paid-in capital AMD 12,246 thousand. Thus, nominal value of each ordinary share was increased from AMD 5,121,600 to AMD 7,649,680. During 2008 AMD 16,076 thousand was transferred from retained earnings to share capital and AMD 6,084 thousand was issued in cash. As a result, the nominal value of each ordinary share was increased from AMD 4,900,000 to AMD 5,121,600.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Organization.

## Dividends

Dividends payable are restricted to the maximum retained earnings of the Organization, which are determined according to the Charter of the Organization. In accordance with the Charter of the Organization, as of the reporting date, reserves available for distribution amount to AMD 25,816 thousand (2008: AMD 95,155 thousand).

At the reporting date no dividends were declared.

# 16 Risk management

Management of risk is fundamental to the business of credit organizations and is an essential element of the Organization's operations. The major risks faced by the Organization are those related to market risk, credit risk and liquidity risk.

## Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Organization, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Management Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures.

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled by the Asset and Liability Management Committee (ALCO) and the Credit Committee.

## Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads will affect income or the value of portfolios. Market risk comprise currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

The Organization manages its market risk by setting open position limits in relation to interest rate, maturity and currency positions. These are monitored on a regular basis and reviewed and approved by the ALCO.

### *Interest rate risk*

Interest rate risk is the risk that movements in interest rates will affect income or the value of financial instruments.

The Organization is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

An analysis of sensitivity of profit or loss and equity to changes in interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2009 and 2008 is as follows:

| | **2009** | | **2008** | |
|---|---|---|---|---|
| | **Profit or loss AMD'000** | **Equity AMD'000** | **Profit or loss AMD'000** | **Equity AMD'000** |
| 100 bp parallel fall | (5,401) | (5,401) | (5,087) | (5,087) |
| 100 bp parallel rise | 5,401 | 5,401 | 5,087 | 5,087 |

### *Currency risk*

The Organization has assets and liabilities denominated in USD. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the exposure to currency risk at year end refer to note 26.

The outside funding in foreign currency is partially hedged by back to back transactions or through lending in foreign currency in order to match the foreign exchange position. As funding sources grow the Organization will identify specific limits of risk tolerance, like limiting the ratio of foreign currency position in absolute terms to equity up to 0.35 for any particular time period, thereby minimizing the mismatch of foreign exchange assets and liabilities risk exposure.

An analysis of sensitivity of profit or loss and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 10% change in USD to AMD exchange rates is as follows:

| | **2009** | | **2008** | |
|---|---|---|---|---|
| | **Profit or loss AMD'000** | **Equity AMD'000** | **Profit or loss AMD'000** | **Equity AMD'000** |
| 10% appreciation of USD against AMD | 12,709 | 12,709 | (18,828) | (18,828) |
| 10% depreciation of USD against AMD | (12,709) | (12,709) | (18,828) | 18,828 |

## Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Organization. The Organization has developed policies and procedures for the management of credit exposures. The overall resposibility for credit risk management is vested by Credit Committee. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and individuals)
- methodology for the credit assessment of counterparties
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Credit exposures arise principally in lending activities that lead to loans and advances, and placing funds in current accounts and term deposits. The credit risk management and control are centralized in Credit Committee and reported to Management Board.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to on balance sheet credit risk at the reporting date is as follows:

| | **2009 AMD'000** | **2008 AMD'000** |
|---|---|---|
| **ASSETS** | | |
| Placements with banks | 1,181,274 | 894,081 |
| Loans to customers | 2,046,855 | 2,396,469 |
| Other assets | 1,468 | 1,987 |
| **Total maximum exposure to on balance sheet credit risk** | **3,229,597** | **3,292,537** |

For the analysis of concentration of credit risk in respect of loans to customers refer to note 11.

The maximum exposure to off balance sheet credit risk at the reporting date is presented in note 18.

## Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Organization maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management Board.

The Organization seeks to actively support a diversified and stable funding base comprising, long-term and short-term loans from banks and other lending institutions, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by currencies and considering the level of liquid assets necessary in relation thereto
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- monitoring liquidity ratios against benchmarks.

The following tables show the undiscounted cash flows on financial liabilities on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability. The expected cash flows on these financial liabilities can vary significantly from this analysis.

The liquidity position as at 31 December 2009 is as follows:

| AMD'000 | Demand and lessthan 1 month | From 1 to 3 months | From 3 to 6 months | From 6 to 12 months | More than 1 year | Total gross amount outflow | Carrying amount |
|---|---|---|---|---|---|---|---|
| **Non-derivative liabilities** | | | | | | | |
| Loans and borrowings | 733,055 | 209,171 | 949,395 | 444,358 | 353,999 | 2,689,978 | 2,454,413 |
| Other liabilities | 4,555 | - | 8,047 | 22,899 | - | 35,501 | 35,501 |
| **Total liabilities** | **737,610** | **209,171** | **957,442** | **467,257** | **353,999** | **2,725,479** | **2,489,914** |
| **Credit related commitments** | **918,758** | | | | | | |

The liquidity position as at 31 December 2008 is as follows:

| AMD'000 | Demand and less than 1 month | From 1 to 3 months | From 3 to 6 months | From 6 to 12 months | More than 1 year | Total gross amount outflow | Carrying amount |
|---|---|---|---|---|---|---|---|
| **Non-derivative liabilities** | | | | | | | |
| Loans and borrowings | 28,133 | 131,041 | 449,217 | 480,148 | 1,976,410 | 3,064,949 | 2,697,588 |
| Other liabilities | 4,310 | 6,806 | 10,856 | 15,775 | - | 37,747 | 37,747 |
| **Total liabilities** | **32,443** | **137,847** | **460,073** | **495,923** | **1,976,410** | **3,102,696** | **2,735,335** |
| **Credit related commitments** | **813,181** | | | | | | |

To manage the liquidity risk arising from financial liabilities, the Organization holds liquid assets comprising cash and cash equivalents and placements with banks which are readily convertible to cash to meet liquidity requirements. Hence, the Organization believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.

As of 31 December 2009 the Organization has reclassified the loans with total amount of AMD 728,268 (including AMD 431,041 thousand from related party) as due on demand as a result of covenant breaches (note 13). The management of the Organization believes that it has the ability to renegotiate terms of the loan from related party and does not expect that third party will request early repayment of the loan.

For further information on the exposure to liquidity risk at year end refer to note 25.

# 17 Capital management

The Central Bank of Armenia sets and monitors capital requirements for the Organization.

The Organization defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, credit organizations have to maintain a minimum share capital and total capital of AMD 150,000 thousand. The Organization is in compliance with the statutory capital requirements during the years ended 31 December 2009 and 2008. In addition the Organization manages its capital in order to meet covenant requirements.

There were no changes in the Organization's approach to capital management during the year.

# 18 Commitments

The Organization has outstanding commitments to extend loans. These commitments take the form of approved loans.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced.

| | 2009<br>AMD'000 | 2008<br>AMD'000 |
|---|---|---|
| Undrawn loan commitments – contracted amount | **918,758** | **813,181** |

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

# 19 Operating leases

## Leases as lessee

Non-cancelable operating lease rentals are payable as follows:

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| Less than 1 year | 21,494 | 19,533 |
| Between 1 and 5 years | 32,652 | 36,790 |
| | **54,146** | **56,323** |

The Organization leases a number of premises and equipment under operating leases. The leases typically run for an initial period of up to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During 2009 AMD 20,798 thousand is recognised as an expense in profit or loss in respect of operating leases (2008: AMD 19,221 thousand).

# 20 Contingencies

## Insurance

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

## Taxation contingencies

The taxation system in Armenia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

# 21 Related party transactions

## Control relationships

The Organization's parent company is Vision Fund International. The party with ultimate control over the Organization is World Vision International.

No publicly available financial statements are produced by the Organization's parent company. The Organization's ultimate parent produces publicly available financial statements.

## Transactions with management

The outstanding balances as of 31 December and transactions with the members of management are as follows:

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| **Statement of financial position** | | |
| **LIABILITIES** | | |
| Other liabilities | 6,521 | 4,639 |
| **Profit (loss)** | | |
| Employee compensation | 50,900 | 26,120 |

## Transactions with other related parties

Other related parties include the ultimate controlling party, parent company and entities under common control of the Organization's ultimate controlling party. The outstanding balances and the related average interest rates as of 31 December 2009 and related profit or loss amounts of transactions for the year ended 31 December 2009 and 2008 with other related parties are as follows.

| | 2009 AMD'000 | Average interest rate, % | 2008 AMD'000 | Average interest rate, % |
|---|---|---|---|---|
| **Statement of financial position** | | | | |
| **LIABILITIES** | | | | |
| Loans and borrowings | 525,527 | 9.37 | 637,537 | 8.59 |
| **Profit (loss)** | | | | |
| Interest expense | 62,068 | | 58,726 | |
| Other expense | - | | 9,217 | |

# 22 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are composed of the following items:

| | 2009 AMD'000 | 2008 AMD'000 |
|---|---|---|
| Cash | 3,992 | 2,320 |
| Placement with banks – current accounts | 99,260 | 156,549 |
| | **103,252** | **158,869** |

# 23 Fair value of financial instruments

The estimated fair values of all financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

The estimated fair values of all financial instruments approximates their carrying values.

As at 31 December 2009 and 31 December 2008, the Organization does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

# 24 Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2009 and 2008. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

| | **2009 Average effective interest rate, %** | | **2008 Average effective interest rate, %** | |
|---|---|---|---|---|
| | **AMD** | **USD** | **AMD** | **USD** |
| **Interest bearing assets** | | | | |
| Placements with banks | | | | |
| - Term deposits | 8.07% | 5.70% | 5.00% | 4.78% |
| Loans to customers | 21.63% | 22.05% | 22.02% | 22.05% |
| **Interest bearing liabilities** | | | | |
| Loans and borrowings | | | | |
| - Secured bank loans | 8.00% | - | 7.82% | - |
| - Secured loans from other entities | 7.50% | - | - | - |
| - Unsecured loans from other entities | - | 10.38% | - | 10.34% |
| - Unsecured loans from related party | - | 9.37% | - | 8.59% |

# 25 Maturity analysis

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2009.

| | Less than 1 month AMD'000 | 1 to 3 months AMD'000 | 3 to 12 months AMD'000 | 1 to 5 years AMD'000 | No maturity AMD'000 | Overdue AMD'000 | Total AMD'000 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash | 3,992 | - | - | - | - | - | 3,992 |
| Placements with banks | 155,737 | 347,932 | 610,658 | 66,947 | - | - | 1,181,274 |
| Loans to customers | 120,242 | 209,809 | 987,360 | 665,633 | - | 63,811 | 2,046,855 |
| Property equipment and intangible assets | - | - | - | - | 82,702 | - | 82,702 |
| Deferred tax asset | - | - | 10,056 | - | - | - | 10,056 |
| Other assets | 7,363 | - | - | - | - | - | 7,363 |
| **Total assets** | **287,334** | **557,741** | **1,608,074** | **732,580** | **82,702** | **63,811** | **3,332,242** |
| **LIABILITIES** | | | | | | | |
| Loans and borrowings | 728,369 | 178,769 | 1,272,089 | 275,186 | - | - | 2,454,413 |
| Other liabilities | 36,024 | 4,325 | 18,059 | 20,361 | - | - | 78,769 |
| **Total liabilities** | **764,393** | **183,094** | **1,290,148** | **295,547** | **-** | **-** | **2,533,182** |
| **Net position as at 31 December 2009** | **(477,059)** | **374,647** | **317,926** | **437,033** | **82,702** | **63,811** | **799,060** |
| Net position as at 31 December 2008 | 282,980 | 297,393 | 699,815 | (784,577) | 88,470 | 42,488 | 626,569 |
| **Cumulative net position as at 31 December 2009** | **(477,059)** | **(102,412)** | **215,514** | **652,547** | **735,249** | **799,060** | **799,060** |
| Cumulative net position as at 31 December 2008 | 282,980 | 580,373 | 1,280,188 | 495,611 | 584,081 | 626,569 | 626,569 |

Due to the fact that substantially all the financial instruments are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates.

The amounts in this table represent the carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

# 26 Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2009:

| | AMD AMD'000 | USD AMD'000 | Total AMD'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | 2,104 | 1,888 | 3,992 |
| Placements with banks | 250,853 | 930,421 | 1,181,274 |
| Loans to customers | 743,292 | 1,303,563 | 2,046,855 |
| Property, equipment and intangible assets | 82,702 | - | 82,702 |
| Deferred tax asset | 10,056 | - | 10,056 |
| Other assets | 7,363 | - | 7,363 |
| **Total assets** | **1,096,370** | **2,235,872** | **3,332,242** |
| **LIABILITIES** | | | |
| Loans and borrowings | 345,628 | 2,108,785 | 2,454,413 |
| Other liabilities | 78,769 | - | 78,769 |
| **Total liabilities** | **424,397** | **2,108,785** | **2,533,182** |
| **Net on balance sheet position as of 31 December 2009** | **671,973** | **127,087** | **799,060** |
| Net on and off balance sheet positions as of 31 December 2008 | 814,844 | (188,275) | 626,569 |