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19 March 2015
№ 011502

CONFIRMED BY:

P. GEVORGYAN

Managing Partner
Baker Tilly Armenia CJSC

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

INDEPENDENT AUDITOR'S REPORT

To participants of the
ECLOF Universal Credit Organization LLC

We have audited the accompanying financial statements of the ECLOF Universal Credit Organization LLC (hereinafter referred to as "the Organization"), which comprise the Statement of Financial Position as of December 31, 2014, the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, as well as the summary of the accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of ECLOF UCO LLC's financial position as at 31 December, 2014, and of Statement of Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows for the period then ended, in accordance with International Financial Reporting Standards.

M. Hayrapetyan

Auditor

19.03.2015

Statement of Comprehensive Income

For the year ended 31 December 2014

AMD ths.

	Notes	2014	2013
Interest and similar income	4	244,757	185,638
Interest and similar expense	4	(61,606)	(47,826)
Net interest income		183,151	137,812
Commissions and other income	5	27,431	32,031
Commissions and other expense		(398)	(88)
Net loss from foreign currency transactions	6	(441)	(148)
Other operating income	7	50,400	61,330
Operating income		260,143	230,937
Losses from loans and other borrowings	8	(70,570)	(52,094)
Expenses as regards employees	9	(76,800)	(53,163)
Other general administrative expenses	10	(30,343)	(29,297)
Other expenses	11	(7,561)	(6,799)
Profit before taxation		74,869	89,584
Profit Tax expense	12	(14,973)	(18,328)
Profit after taxation		59,896	71,256
Other comprehensive income		-	-
Comprehensive income		59,896	71,256

Armen Muradyan
Executive Director

Karine Papujyan
Chief Accountant

Statement of Financial Position

As of 31 December, 2014

AMD ths.

Description	Notes	2014	2013
ASSETS			
Cash means and bank accounts	13	2,682	2,750
Placements with banks	14	173,277	16,662
Loans and other advances provided to customers	15	1,258,660	1,297,620
Property, plant and equipment and intangible assets	16	10,051	9,611
Deferred tax assets		3,907	227
Interest receivable		29,638	6,378
Accounts receivable and prepayments	17	11,600	852
Other assets	18	33,182	25,349
Total Assets		1,522,998	1,359,449
LIABILITIES			
Borrowings involved from customers	19	804,136	656,653
Amounts payable as regards lease		453	220
Interest payable		11,498	10,778
Other liabilities	20	71,425	82,163
Total liabilities		887,512	749,814
EQUITY			
Charter capital	21	575,590	538,379
General reserve		-	-
Retained earnings		59,896	71,256
Total equity		635,486	609,635
Total liabilities and equity		1,522,998	1,359,449

Armen Muradyan
Executive Director

Karine Papujyan
Chief Accountant

19.03.2015

ECLOF UCO LLC

Statement of Changes In Equity

For the year ended 31 December 2014

AMD ths.

	Charter Capital	General Reserve	Retained earnings	Total
Balance as of 01 January, 2013	515,707	-	22,672	538,379
Transactions with Shareholders, including:				
Investments in the charter capital	22,672		(22,672)	-
Dividend				
Comprehensive income				
Profit for the period			71,256	71,256
Balance as of 31 December, 2013	538,379	-	71,256	609,635
Balance as of 01 January, 2014	538,379	-	71,256	609,635
Transactions with Shareholders, including:				
Investments in the charter capital	37,211		(37,211)	-
Dividend			(34,045)	(34,045)
Comprehensive income				
Profit for the period			59,896	59,896
Balance as of 31 December, 2014	575,590	-	59,896	635,486

Armen Muradyan
Executive Director

Karine Papujyan
Chief Accountant

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

AMD ths.

	2014	2013
Cash flows from operating activity		
Interest received	213,170	181,110
Interest paid	(57,760)	(40,444)
Recovery of losses	59,373	55,438
Net commissions received	27,732	32,031
Salaries and other equivalent payments	(56,773)	(48,964)
Taxes paid	(48,520)	(19,015)
Decrease/(increase) in distributed funds	(194,149)	(257,535)
Net cash flows from other operating activity	(45,376)	(75,248)
Net Cash flows from operating activity	(102,303)	(172,627)
Cash flows from investing activity		
Decrease/(increase) in capital investments in property, plant and equipment and intangible assets		(1,272)
Acquisition of property, plant and equipment and intangible assets	(11,189)	(574)
Net cash flows from investing activity	(11,189)	(1,846)
Cash flows from financing activity		
Dividends paid	(34,045)	
Increase /(Decrease) of other borrowings received	147,483	170,219
Net cash flows from financing activity	113,438	170,219
Effect of exchange rate fluctuations on cash and cash equivalents	(13)	(46)
Net cash flows	(67)	(4,300)
Cash and cash equivalents at the beginning of the period	2,777	7,077
Cash and cash equivalents at the end of the period	2,710	2,777

Armen Muradyan
Executive Director

Karine Papujyan
Chief Accountant

NOTES ATTACHED TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2014

1. Main Activity

"ECLOF" Universal Credit Organization LLC (hereinafter, "the Organization") is a commercial organization representing a legal person.

The Organization was registered according to the CB RA Board Decision № 617A as of October 17, 2006. (Registration number: 17).

According to the Organization's Charter, the Organization's activity is directed towards the following:

- provide advances and loans to physical and legal persons. The provided loans aim at solving social-economic problems, improving conditions and strengthening self-reliance and independence.
- provide advances or loans to those sole entrepreneurs or legal persons, which contribute to small and medium business establishment and development as well as jobs creation and maintenance.
- provide advances or loans to churches, ecclesiastical institutions, non-commercial organizations and RA communities, which are directed towards implementation of social, education, health and other projects.

The Organization's mailing and legal address is RA, Etchmiadzin, Baghramyan Str., 2/1.
The number of the Organization's employees in 2014 was 36.

2. Basis for Preparation

Statement of Compliance

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

Measurement Basis

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

Functional and presentation currency

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

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

Use of assessments and reasoning

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

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

are measured at the tax rates that are expected to be applied at the period when the assets are realized or the liabilities are settled, based on tax rates enacted within that period or within the reporting period.

There are also other operating taxes in the Republic of Armenia, which are assessed based on the Organization's activity. These taxes are recognized in the statement of comprehensive income under «other expenses». Indirect tax amounts are included in the amount of those tangible and intangible values to which they relate.

Cash and cash equivalents

Cash and cash equivalents include balances of bank accounts. The statement of cash flows is prepared using the direct method.

Financial Instruments

The Organization recognizes financial assets and liabilities on its statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value, are accounted for between trade date and settlement date in the same way as for acquired instruments.

At initial recognition, financial assets and liabilities are measured at fair value plus, in the case of investments, expenses directly attributable to the transaction, except for the investments at fair value through profit or loss.

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

The Organization has classified its financial assets as follows: loans and accounts receivable, financial instruments carried at fair value through profit or loss, available-for-sale financial instruments and held-to-maturity investments. Investments are classified at the date of acquisition taking into account the norms set out by the management.

Subsequent to initial recognition, the Organization can, in case of possibility and per necessity, reclassify its financial assets at the end of each financial year.

Loans and receivables

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

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

Impairment of financial assets

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

De-recognition of financial assets and liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;

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

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

Financial liabilities

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

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

Asset possible loss reserve

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

Inventory

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

Leases

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

Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The estimated useful lives are as follows:

	Useful Life (years)
Computer equipment	3
Vehicles	5
Office equipment	5
Capital expenses concerning leased property	20

are measured at the tax rates that are expected to be applied at the period when the assets are realized or the liabilities are settled, based on tax rates enacted within that period or within the reporting period.

There are also other operating taxes in the Republic of Armenia, which are assessed based on the Organization's activity. These taxes are recognized in the statement of comprehensive income under «other expenses». Indirect tax amounts are included in the amount of those tangible and intangible values to which they relate.

Cash and cash equivalents

Cash and cash equivalents include balances of bank accounts. The statement of cash flows is prepared using the direct method.

Financial Instruments

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

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

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

Loans and receivables

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

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

Impairment of financial assets

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

De-recognition of financial assets and liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;

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

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

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

Intangible assets

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

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

Borrowings

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

Provisions

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

Offsetting

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

Note 4. Net Interest Income

	2014	AMD ths. 2013
Interest income		
Loans provided to customers	237,414	168,030
Time deposits with banks	6,851	16,948
Other interest income	492	660
Total interest income	**244,757**	**185,638**
Interest expense		
Borrowings from customers	(61,482)	(44,630)
Other interest expense	(124)	(3,196)
Total interest expense	**(61,606)**	**(47,826)**
Net interest income	**183,151**	**137,812**

Note 5. Commissions and Other Similar Income

	2014	AMD ths. 2013
Consumer loan servicing	27,431	32,031
	27,431	32,031

Note 6. Net Loss from Foreign Currency Transactions

	2014	AMD ths. 2013
Net loss from sale of foreign currency	(174)	(103)
Net loss from foreign currency revaluation	(267)	(45)
	(441)	(148)

Note 7. Other Operating Income

	2014	AMD ths. 2013
Income from fines and penalties	49,679	61,330
Income from fixed assets disposal	371	
Grants received	350	
	50,400	61,330

Note 8. Loss from Loans and Other Borrowings

	2014	AMD ths. 2013
Income from recovering losses from loans, deposits, receivables	119,033	135,670
Provision for losses from loans, deposits, receivables	(189,603)	(187,764)
	(70,570)	(52,094)

Note 9. Expenses as regards employees

	2014	AMD ths. 2013
Salary	(69,186)	(47,602)
Bonuses	(1,411)	(1,320)
Other payments to employees	(6,203)	(4,241)
	76,800	53,163

Note 15. Loans and credits Provided to Customers

	2014	AMD ths. 2013
Gross Loans provided to customers	1,350,413	1,326,240
Loan impairment reserve	(91,753)	(28,620)
Total loans and borrowings provided to Customers	1,258,660	1,297,620

Loans and other borrowings provision

	2014	AMD ths. 2013
Opening balance	28,620	61,216
Allocation to the reserve	316,523	345,222
Reserve utilization	(253,390)	(377,818)
Closing balance	91,753	28,620

The analysis of loans provided by economic sectors (at nominal value) is as follows:

	2014	AMD ths. 2013
Agriculture	961,753	869,764
Industry	97,844	135,694
Construction	27,884	29,087
Trade	117,053	162,174
Transportation means and warehousing	13,613	23,086
Lodging and catering arrangement	19,981	34,868
Information and communication	1,821	2,659
Health care	1,453	2,820
Mortgage loans	1,409	4,628
Other branches of economy	52,376	
Consumer loans	59,325	61,460
Total loans provided to customers	1,354,512	1,326,240

Note 16. Property, Plant and Equipment and Intangible Assets

AMD ths.

	Office inventory	Computer equipment	Vehicles	Capital investments in the PPEs	Software and other fixed assets	Total
Initial value						
Balance as at 1 January 2014	4,285	4,649	18,454	10,779	3,340	41,507
Addition	23	176	18	-	1,955	2,172
Disposal or liquidation	-	-		-		
Balance as at 31 December 2014	4,308	4,825	18,472	10,779	5,295	43,679
Depreciation						
Balance as at 1 January 2014	3,790	4,582	17,025	4,072	2,425	31,894
Increase	280	73	541	545	294	1,733
Decrease	-	-	-	-	-	-
Balance as at 31 December 2014	4,070	4,655	17,566	4,617	2,719	33,627
						0
Carrying value as at 31.12.2014	238	170	906	6,162	2,576	10,052

Note 10. Other General Administrative Expenses

	2014	AMD ths. 2013
Lease of building and other fixed assets	(5,274)	(3,840)
Technical servicing and maintenance of the building	(1,108)	(620)
Technical servicing and maintenance of the equipment	(209)	(84)
Communication means	(4,567)	(5,071)
Vehicles maintenance	(3,600)	(4,721)
Membersheep fees	(0)	(960)
Non refundable taxes and dues	(765)	(709)
Loans provision and repayment	(0)	(60)
Busienss trips	(1,561)	(2,092)
Insurance	(2,151)	(1,287)
Office expenses	(1,747)	(1,514)
Audit and other consulting services	(3,000)	(3,000)
Other operating expenses	(0)	(50)
Financial System Mediator's office	(0)	(777)
Other management expenses	(6,361)	(4,512)
	(30,343)	(29,297)

Note 11. Other Expenses

	2014	AMD ths. 2013
Amortization allowances	(1,733)	(4,244)
Fines and penalties	(0)	(1,000)
Other expenses	(5,828)	(1,555)
	(7,561)	(6,799)

Note 12. Profit Tax Expense

	2014	AMD ths. 2013
Current tax expenses	(14,973)	(18,328)
	(14,973)	(18,328)

Note 13. Cash and Cash Equivalents

	2014	AMD ths. 2013
Current accounts with banks	2,710	2,777
Current accounts reserve	(28)	(27)
	2,682	2,750

Note 14. Means Allocated in the Banks

	2014	AMD ths. 2013
Bank deposits	175,039	16,830
Reserve as regards Bank deposits	(1,762)	(168)
Total amounts due from financial institutions	173,277	16,662

						AMD ths.
	Office inventory	Computer equipment	Vehicles	Capital investments in the PPEs	Software and other fixed assets	Total
Initial value						
Balance as at 1 January 2013	4,163	4,557	34,485	10,501	3,099	56,806
Addition	122	92	995	278	360	1,847
Disposal or liquidation	-	-	(17,026)	-	(119)	(17,145)
Balance as at 31 December 2013	4,285	4,649	18,454	10,779	3,340	41,508
Depreciation						
Balance as at 1 January 2013	3,498	4,378	27,845	3,528	2,186	41,435
Increase	293	204	2,845	544	358	4,244
Decrease	-	-	(13,665)	-	(119)	(13,784)
Balance as at 31 December 2013	3,791	4,582	17,025	4,072	2,425	31,895
Carrying value as at 31.12.2013	494	67	1,428	6,708	914	9,611

Note 17. Accounts Receivable and Prepayments

		AMD ths.
	2014	**2013**
Accounts receivable and prepayments	11,883	971
Provision for receivables	(283)	(119)
	11,600	852

Provisioning for Accounts Receivable and other Assets

		AMD ths.
	2014	**2013**
Opening balance	119	6,271
Allocation to the reserve	3,170	4,569
Reserve utilization	(2,979)	(10,721)
Closing balance	310	119

Note 18. Other Assets

		AMD ths.
	2014	**2013**
Short life items	1,967	47
Other assets	31,215	25,302
	33,182	25,349

Note 19. Borrowings Drawn from Customers

	2014	AMD ths. 2013
Borrowings drawn from institutions	3,760	8,788
Borrowing drawn from Rural Financing Structure PIU	156,707	155,510
Borrowing drawn from other non-commercial organization	0	380,220
Borrowing drawn from a participant	643,669	112,135
	804,136	656,653

Note 20. Other Liabilities

	20134	AMD ths. 2013
Future period's income	33,293	62,594
Salary and similar payments	5,033	2,561
Liabilities towards Budget	5,421	10,524
Other liabilities	27,678	6,484
Total other liabilities	71,425	82,163

Note 21. Charter Capital

Charter Capital amounts to 575,590 thousand AMD, which comprises an investment of the Organization's two Owners: ECLOF Foundation – 72.8%, ECLOF International – 27.2%.

Contingent Liabilities

Tax and Legal obligations

The Organization carries on its activity in accordance with all statutory requirements.

As of 31 December 2014, there were no legal actions and complaints taken against the Organization. Therefore, the Organization has not made any respective provision related to similar tax and legal matters.

Note 22. Related Parties Transactions

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

The Organization has borrowings drawn from ECLOF Foundation and ECLOF International

AMD ths.

	Office inventory	Computer equipment	Vehicles	Capital investments in the PPEs	Software and other fixed assets	Total
Initial value						
Balance as at 1 January 2013	4,163	4,557	34,485	10,501	3,099	56,806
Addition	122	92	995	278	360	1,847
Disposal or liquidation	-	-	(17,026)	-	(119)	(17,145)
Balance as at 31 December 2013	4,285	4,649	18,454	10,779	3,340	41,508
Depreciation						
Balance as at 1 January 2013	3,498	4,378	27,845	3,528	2,186	41,435
Increase	293	204	2,845	544	358	4,244
Decrease	-	-	(13,665)	-	(119)	(13,784)
Balance as at 31 December 2013	3,791	4,582	17,025	4,072	2,425	31,895
Carrying value as at 31.12.2013	494	67	1,428	6,708	914	9,611

Note 17. Accounts Receivable and Prepayments

AMD ths.

	2014	2013
Accounts receivable and prepayments	11,883	971
Provision for receivables	(283)	(119)
	11,600	852

Provisioning for Accounts Receivable and other Assets

AMD ths.

	2014	2013
Opening balance	119	6,271
Allocation to the reserve	3,170	4,569
Reserve utilization	(2,979)	(10,721)
Closing balance	310	119

Note 18. Other Assets

AMD ths.

	2014	2013
Short life items	1,967	47
Other assets	31,215	25,302
	33,182	25,349

Note 19. Borrowings Drawn from Customers

	2014	AMD ths. 2013
Borrowings drawn from institutions	3,760	8,788
Borrowing drawn from Rural Financing Structure PIU	156,707	155,510
Borrowing drawn from other non-commercial organization	0	380,220
Borrowing drawn from a participant	643,669	112,135
	804,136	656,653

Note 20. Other Liabilities

	20134	AMD ths. 2013
Future period's income	33,293	62,594
Salary and similar payments	5,033	2,561
Liabilities towards Budget	5,421	10,524
Other liabilities	27,678	6,484
Total other liabilities	71,425	82,163

Note 21. Charter Capital

Charter Capital amounts to 575,590 thousand AMD, which comprises an investment of the Organization's two Owners: ECLOF Foundation – 72.8%, ECLOF International – 27.2%.

Contingent Liabilities

Tax and Legal obligations

The Organization carries on its activity in accordance with all statutory requirements.

As of 31 December 2014, there were no legal actions and complaints taken against the Organization. Therefore, the Organization has not made any respective provision related to similar tax and legal matters.

Note 22. Related Parties Transactions

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

The Organization has borrowings drawn from ECLOF Foundation and ECLOF International

	31.12.2013	Increase	Decrease	31.12.2014
Borrowing drawn from ECLOF Foundation	112,136	138,700	(69,241)	181,595
Interest calculated and paid as regards borrowing drawn, ECLOF Foundation	593	16,435	(16,081)	946
Borrowing drawn from ECLOF International	380,220	81,854	-	462,074
Interest calculated and paid as regards borrowing drawn, ECLOF International	8,896	31,117	(29,862)	10,152
Total	501,845	268,106	(115,184)	654,767

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

		AMD ths.
	2014	**2013**
Salary and other short term payments	35,236	25,801
Total compensation as regards key management	35,236	25,801

Maturity Analysis for Financial Assets and Liabilities

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

as at 31 December 2014	AMD ths.					
	On demand and less than 1 month	**1-3 month**	**3-12 month**	**1-3 year**	**more than 3 years**	**Total**
Assets						
Cash and cash equivalents	2,710	-	175,039	-	-	177,749
Amounts due from Government	-		303		-	303
Loans to customers	421,982	93,703	403,925	390,744	44,158	1,354,512
Other assets	27256	68	4,653	463	-	32,440
	451,948	93,771	583,920	391,207	44,158	1,565,004
Liabilities						
Loans and borrowings	-	-	-	152,554	651,583	804,137
Other liabilities		28717	10,552			39,269
		28717	10552	152554	651583	843,406
Net position	451,948	65,054	573,368	238,653	(607,425)	721,598
Accumulated gap	451,948	517,002	1,090,370	1,329,023	721,598	

as at 31 December 2013

AMD ths.

	On demand and less than 1 month	1-3 month	3-12 month	1-3 year	more than 3 years	Total
Assets						
Cash and cash equivalents	2,777	-	16,830	-	-	19,607
Amounts due from Government	-	-	8,234			8,234
Loans to customers	126,754	108,227	451,275	608,676	31,308	1,326,240
Other assets	6,004	1	7,484	-		13,489
	135,535	108,228	483,823	608,676	31,308	1,367,570
Liabilities						
Loans and borrowings	-	-	-	-	656,653	656,653
Other liabilities	12,335	8,896	13,578	-	-	34,809
	12,335	8,896	13,578	-	656,653	691,462
Net position	123,200	99,332	470,245	608,676	(625,345)	676,108
Accumulated gap	123,200	222,532	692,777	1,301,453	676,108	

Note 23. Risk Management

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

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

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

23.1 Credit risk

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

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

The table below presents the worst case scenario of credit risk exposure to the Organization as at 31 December 2014 and 2013, without taking account of any collateral held or other credit enhancements attached.

	Notes	Maximum gross exposure as at 31 December 2014	Maximum gross exposure as at 31 December 2013
			AMD ths.
Cash and cash equivalents	13	2,710	2,777
Amounts due from financial institutions	14	175,039	16,830
Loans and advances to customers	15	1,354,512	1,326,240
Total Credit risk		1,532,261	1,345,847

Risk concentrations of the maximum exposure to credit risk

Geographical areas

As at 31 December 2014 and 2013, the Organization's credit risks are totally centralized in the Republic of Armenia.

Industry sectors

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

AMD ths.

	Financial Institutions	Agriculture	Industry	Construction	Trade	Transport. means	Other	Total
Cash and cash equivalents	2,710	-						2,710
Amounts due from financial institutions	175,039	-	-	-	-	-	-	175,039
Loans to customers	-	961,753	97,844	27,884	117,053	13,613	136,365	1,354,512
As at 31 December, 2014	177,749	961,753	97,844	27,884	117,053	13,613	136,365	1,532,261
As at 31 December, 2013	19,607	869,764	135,694	29,087	162,174	23,086	106,435	1,345,847

Risk limits control and mitigation policies

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

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

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

Collateral

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

- Mortgages over real estate;
- Guarantee.

The analysis of loan portfolio by collateral is presented below:

	2014	AMD ths. 2013
Real estate	1,057,242	933,558
Equipment and other fixed assets	3,420	9,737
Vehicles	41,196	57,449
Guarantee	252,654	323,365
Other collateral	0	2,131
Total loans and advances to customers	1,354,512	1,326,240

As of December 31, 2014, the Organization's written off loans are as follows:

	2014	AMD ths. 2013
Written-off loans	194,969	174,505
Written off interest, penalties	253,993	231,436
Total written-off loans	448,963	405,941

23.2 Market risk

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

Currency risk

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

23.3 Liquidity risk

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

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

The table below summarizes the maturity profile of the Organization's financial liabilities as at 31 December 2014 based on contractual obligations of undiscounted repayments. On demand repayments are classified with the assumption that they will be demanded immediately.

ECLOF UCO LLC

As at 31 December, 2014

AMD ths.

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
Financial liabilities						
Loans and borrowings	-	-	-	423,915	380,220	804,137
Other financial liabilities	-	30,373	8,896	-	-	39,269
Total undiscounted financial liabilities	-	30,373	8,896	152,554	651,583	843,406

As at 31 December, 2013

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
Financial liabilities						
Loans and borrowings	-	-	-	-	656,653	656,653
Other financial liabilities	1,882	8,896	-	-	-	10,778
Total undiscounted financial liabilities	1,882	8,896	-	-	-	667,431

Capital Adequacy

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

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

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

The Central Bank of Armenia has set the minimal required total capital at AMD 150,000 thousand. The Organization has complied with all externally imposed capital requirements through the reporting period. The total average capital in the reporting year comprised AMD 635,486 thousand.

Armen Muradyan
Executive Director

Karine Papujyan
Chief Accountant