

«Սպայկա» ՍՊԸ համախմբված ֆինանսական հաշվետվություններ

2019թվականի դեկտեմբերի 31-ին ավարտված տարվա համար Անկախ ստույգիտողական եզրակացության հետ միասին

**SPAYKA
LIMITED LIABILITY COMPANY**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

YEREVAN 2020

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N 032010

CONFIRMED BY:

P. GEVORGYAN

Managing Partner

Baker Tilly Armenia CJSC

*License for Audit services No UO-054,
Provided by the RA Ministry of Finance and Economy*

*To the Participants of
Spayka LLC*

We have audited the consolidated financial statements of Spayka Limited Liability Company (the “Company”), and its subsidiaries (the “Group”), which comprise *the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, the consolidated changes in equity and the consolidated cash flows* for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Baker Tilly Armenia CJSC is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Basis for Qualified Opinion

There is an ongoing tax case against Davit Ghazaryan, the General Director and shareholder of Spayka LLC, for possible indirect tax avoidance during prior years through another legal entity. The State Revenue Committee, believes that this entity has been de facto under the control of management of Spayka LLC and allegedly acted within the interests of Spayka LLC. The details of the tax case are described in Note 25 of the financial statements. As described in Note 25, although the Group has made AMD 1,000,000 thousand deposit to the unified account of State Revenue Committee for Davit Ghazaryan to be released from custody, in the financial statements for the year ended 31 December 2019 the Group did not recognize any provision for potential liabilities that could possibly arise from this case. We were unable to obtain sufficient appropriate audit evidence ourselves about possible liability, if any, arising from the case as of 31 December 2019, because the investigation is still ongoing. Consequently, we were unable to determine whether any adjustments in respect of provision for liabilities attributable to the Group arising from the tax case were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Armenia, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 in the financial statements, which indicates that the Group's revenues and operating profits have decreased by AMD 24,987,630 thousand and AMD 16,597,454 thousand respectively, as compared to prior year and, as of 31 December 2019 the Group had overdue loan liabilities. In addition to this, the Group has noted further uncertainty created by the COVID-19 pandemic. As stated in Note 2.2, these events or conditions, along with other matters as set forth in Note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information or business activities of the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor

M. Mkrtchyan

09.07.2020



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

Thousand AMD

	Notes	<u>2019</u>	<u>2018</u>
Revenue	6	57,418,157	82,405,787
Cost of sales	7	(43,838,877)	(51,373,628)
Gross profit		13,579,280	31,032,159
Selling and distribution expenses	8	(5,655,822)	(6,795,643)
Administrative expenses	9	(2,267,084)	(2,221,443)
Other income	10	205,263	538,701
Other expenses	11	(1,889,941)	(1,984,624)
Operating profit		3,971,696	20,569,150
Other non-operating income	12	238,862	-
Net finance costs	13	(4,957,162)	(3,688,263)
Profit before tax		(746,604)	16,880,887
Income tax	14	128,906	(1,515,054)
(Loss)/Profit for the year		(617,698)	15,365,833
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive (loss)/income		(617,698)	15,365,833

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Thousand AMD

	Notes	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	15	132,505,866	114,259,601
Intangible assets	16	66,071	37,559
Deferred tax assets	14	283,511	191,683
Trade and other receivables	20	365,855	2,161,690
Total non-current assets		133,221,303	116,650,533
Current assets			
Inventories	17	4,304,798	5,209,402
Biological assets	18	3,529,296	1,230,148
Cash and cash equivalents	19	545,855	1,325,143
Trade and other receivables	20	9,433,348	8,593,033
Total current assets		17,813,297	16,357,726
Total assets		151,034,600	133,008,259
Equity and Liabilities			
Equity			
Share Capital	21.1	6,194,169	6,194,169
Additional Paid in Capital	21.2	5,637,355	5,637,355
Revaluation Reserve	21.3	1,144,292	1,144,292
Retained Earnings		41,147,572	41,765,270
Total equity		54,123,388	54,741,086
Non-current liabilities			
Loans and borrowings	22	62,407,135	63,167,619
Deferred income	23	6,130,804	6,369,666
Deferred tax liabilities	14	234,264	271,342
Total non-current liabilities		68,772,203	69,808,627
Current liabilities			
Loans and borrowings	21	26,218,941	7,091,964
Trade and other payables	24	1,920,068	1,310,331
Tax liability		-	56,251
Total current liabilities		28,139,009	8,458,546
Total equity and liabilities		151,034,600	133,008,259

Davit Ghazaryan
 General Director

9 July 2020

Hovhannes Hakobyan
 Chief Accountant

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	<i>Thousand AMD</i>				
	Share capital	Additional Paid in Capital	Revaluation Reserve	Retained earnings	Total equity
Balance at 1 January 2018	6,194,169	5,637,355	1,144,292	26,399,437	39,375,253
<i>Comprehensive income</i>					
<i>Profit for the year</i>	-	-	-	15,365,833	15,365,833
<i>Other comprehensive income</i>	-	-	-	-	-
<i>Total comprehensive income for the year</i>	-	-	-	15,365,833	15,365,833
Balance at 31 December 2018	6,194,169	5,637,355	1,144,292	41,765,270	54,741,086
Balance at 1 January 2019	6,194,169	5,637,355	1,144,292	41,765,270	54,741,086
<i>Comprehensive income</i>					
<i>Loss for the year</i>	-	-	-	(617,698)	(617,698)
<i>Other comprehensive income</i>	-	-	-	-	-
<i>Total comprehensive income for the year</i>	-	-	-	(617,698)	(617,698)
Balance at 31 December 2019	6,194,169	5,637,355	1,144,292	41,147,572	54,123,388

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019	2018
		<i>Thousand AMD</i>
(Loss)/Profit for the year	(617,698)	15,365,833
Adjustments for:		
Depreciation	4,121,540	3,234,658
Amortization	7,578	5,430
Impairment – Inventories	1,317,991	1,438,943
Impairment and write off– Trade and other receivables	348,432	84,873
Income from forgiven payables	(63,173)	(257,157)
Income from government grants	(238,862)	-
Income from sale of Property plant and equipment	-	215
Unrealised foreign exchange loss	349,870	835,724
Interest income	(50,796)	(3,661)
Interest expense	4,592,789	2,960,634
Income tax	(128,906)	1,515,054
Cash flows from/(used in) operations before working capital changes	9,638,765	25,180,546
Changes in:		
Inventories	(413,387)	(447,995)
Biological assets	(1,602,707)	(669,273)
Trade and other receivables	815,337	(325,741)
Trade and other payables	413,078	(4,627,849)
Cash flows from operations	8,851,086	19,109,688
Tax paid	(56,251)	(1,553,000)
Net cash flows from operating activities	8,794,835	17,556,688
Cash flows from investing activities		
Acquisition of property, plant and equipment	(23,064,984)	(36,251,115)
Acquisition of intangible assets	(36,090)	(18,661)
Proceeds from sale of property, plant and equipment	-	2,488
Net loans provided	-	600,300
Interest received	50,796	3,661
Net cash flows used in investing activities	(23,050,278)	(35,663,327)
Cash flows from financing activities		
Net proceeds from borrowings	17,095,068	22,317,445
Interest paid	(3,602,106)	(3,425,503)
Net cash flows from financing activities	13,492,962	18,891,942
Net decrease in cash and cash equivalents	(762,481)	785,303
Foreign exchange effects on cash and cash equivalents	(16,807)	(21,394)
Cash and cash equivalents at the beginning of the year	1,325,143	561,234
Cash and cash equivalents at the end of the year	545,855	1,325,143

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2019****1. INCORPORATION AND PRINCIPAL ACTIVITIES**

The consolidated financial statements for the year ended 31 December 2019 consist of the financial statements of the Spayka LLC (the "Company") and its subsidiaries: Spayka-Georgia LLC, Greenhouse LLC and Caucasfood LLC (which together are referred to as "the Group").

Spayka LLC was incorporated in 2001 under the laws of Republic of Armenia by Davit Ghazaryan. Its registered Office is at 007 Arshakunyats Avenue 252, Yerevan, Republic of Armenia. Main activities of the Company are:

- Sale/export of agricultural products
- Production of agricultural produce
- Production of blue chees
- International transportation,
- Maintenance services for trucks
- Processing of agricultural produce

Spayka-Georgia LLC was incorporated in 2010 under the laws of Republic of Georgia. Its registered Office is at village Digomi, Saburtalini region, Tibilisi, Georgia. The Spayka-Georgia LLC acts as a vehicle for organising the acquisition of fruits in the territory of Georgia and their export to Russia.

Greenhouse LLC was acquired by Spayka LLC during 2017. It was incorporated in 2011 under the laws of Republic of Armenia. Its registered office is at 54 Dsereteli Street, 0043 Yerevan, Armenia. Greenhouse LLC mainly owns greenhouses used for producing fresh vegetables.

Caucasfood LLC was acquired by Spayka LLC during 2017. It was incorporated in 2013 under the laws of Republic of Armenia. Its registered office is at 56/2 Garegin Nzhdeh Street, 0006 Yerevan, Armenia. Caucasfood LLC mainly owns orchards used for producing and harvesting fresh fruits.

The total number of Group employees amounted to 2,054 as of 31 December 2019 (as of 31 December 2018: 1,599 employees).

2. BASIS OF PREPARATION**2.1 Statement of compliance**

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

2.2 Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis and the Group will continue its operations for the foreseeable future.

During the year ended 31 December 2019 the Group recorded an accounting net loss of AMD 617,698 thousand, and the Group's revenues and operating profits have decreased by AMD 24,987,630 thousand (around 30.3%) and AMD 16,597,454 (around 80%) respectively, as compared to prior year. As of 31 December 2019 the Group's current loan liabilities amounted to AMD 26,218,941. The Management of the Group believes that this is a reflection of negative impact of the tax case/dispute (as described in Note 25) on Group's financial performance, which forced the Group to downshift its profitable high margin trading operations significantly, caused serious delays in Group's planned capital investment projects and financing projects and made reputable world class credit rating agency to recall its credit rating assignment.

As mentioned in Note 21, as of 31 December 2019 the Group had overdue loan payments in the total amount of AMD 1,691,629 thousand. To date the overdue loan balances of the Group had amounted to USD 7.3 million and EURO 4.8 million. In addition, the Group had bank loans with carrying amounts of AMD 16,153,894 thousand, AMD 10,737,271 thousand and AMD 4,120,270 at 31 December 2019, the loan agreements of which provided for certain financial covenants, and as of 31 December 2019 some of these financial covenants were not met by the Group. Although the aforementioned cases may constitute an event of default in respect of secured bank loans, in which case the loans may become repayable on demand, however, up to date none of the lenders had called on default. Accordingly, the respective loans were not classified as payable on demand as of 31 December 2019.

In appreciation of the Group's strategic importance for the agricultural sector of Armenia and economy in general, the Group's role in refining competitive advantage of the country's agriproduct export, during 2020 lenders have concluded to form a Lenders Club to monitor the Group's financial performance on a weekly basis, assist the Group to pursue its further development plans, ensure synchronized lenders' process and facilitate repayment of loans. The Management of the Group has started negotiations with all lenders to achieve revised repayment terms based on the agreed business plan and financial forecasts.

Additionally, as described in Note 30 a trade receivable from a single counterparty has increased to around RUR 360 million as of to-date. However, the management considers that the amounts are recoverable and will be repaid in near future.

As described in Note 25, there is an ongoing Tax case against the General Director of Spayka LLC for an alleged tax avoidance, which as per Group's Management will have no going concern impact on the Group.

The financial performance of the Group for the year ended 31 December 2019 and thereafter, has been largely affected by the Tax case (as described in Note 25) and further uncertainty created by the COVID-19. The Management expects the financial performance of the Group to continue recovering and stabilizing once the Tax case is resolved and post COVID-19 paradigm flattens as a new norm.

The Management anticipates renegotiating the terms of existing loans and possible obligations and that any additional repayments required will be met out of operating cash flows, repayment of outstanding trade receivables or from alternative forms of capital raising such as new or revised loans/credit lines, issue of bonds, private placements or asset sales. Management has access to underwriters and a plan for issuing bonds or equity raising, if required.

Management acknowledges that certain uncertainty remains over the Group's ability to refinance or repay its loan facilities as they fall due. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

2.3 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except in the case of land and buildings, bearer plants and under construction bearer plants which are stated at their revalued amounts.

2.4 Functional and presentation currency

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

2.5 Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described below:

Useful lives of property and equipment

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

Measurement of fair values

A number of Company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Measurement. Provision for bad and doubtful debts

The Company reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through the profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

Provision for obsolete and slow-moving inventory

The Group reviews its inventory records for evidence regarding the saleability of inventory and its net realizable value on disposal. The provision for obsolete and slow-moving inventory is based on management's past experience, taking into consideration the value of inventory as well as the movement and the level of stock of each category of inventory.

The amount of provision is recognized in the profit or loss. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these consolidated financial statements and in stating the financial position of the Group. The accounting policies have been consistently applied by all companies of the Group.

3.1 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date that control commences until the date control ceases. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

3.2 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenues earned by the Group are recognised on the following bases:

Sale of goods

Sales of goods are recognised when significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually when the Group has sold or delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.

Rendering of services

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

3.3 Finance income and expense

The Company's finance income and finance costs include:

- Interest income;
- Interest expense;
- Net foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised on the respective qualifying asset.

3.4 Payments to employees

Salaries and other employee benefits are measured on an undiscounted basis and are expensed in the period during which the related service is provided.

3.5 Foreign currency transactions

Transactions in foreign currencies are translated to the AMD at exchange rates at the dates of the transactions, as issued by Central Bank of Armenia.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date, as issued by Central Bank of Armenia. 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.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss.

3.6 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Income or loss related to certain activities of the Company, such as international transportation is subject to presumptive tax and is excluded from the calculation of the current tax. Presumptive tax is based on fixed parameters of the Company, such as number of trucks rather than on actual income or loss from such activities. Presumptive tax was recognised in other operating expenses.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

3.7 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Except for Land and buildings, which are stated in the statement of financial position at their revalued amounts.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Revaluations of Land and buildings are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Revaluations are performed on the entire category of the fixed assets.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and then credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

When an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net within other income/other expenses in profit or loss.

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset, except for vehicles used in International transportation, which are depreciated based on unit of production; each kilometer of exploitation. Land is not depreciated.

The estimated useful lives of significant items of property and equipment for the current and comparative periods are as follows:

	Years
Buildings	50
Plant and equipment	5-20
Other vehicles	10
Furniture, fittings and other	5

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

3.8 Intangible assets

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

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for intangible assets are 10 years for the current and comparative periods.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.9 Biological assets

Except for agricultural produce at the stage of growth/biological transformation prior to harvest, biological assets are measured at fair value less costs to sell with any changes there in recognized in profit and loss.

Agricultural produce at the stage of growth/transformation and prior to harvest, are recognized at cost. Which are subsequently measured at fair value less costs to sell upon harvest with any changes there in recognized in profit and loss.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average method, which includes purchase cost, production or replacement costs and costs associated with bringing the inventory to current place and condition. In the case of manufactured inventories or work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

3.11 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

3.12 Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.13 Impairment

Impairment of property and equipment and intangible assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized in the statement of comprehensive income as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment loss is treated as a revaluation increase.

Impairment of financial assets

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

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

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

3.14 Leases

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), at inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.15 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.16 Share Capital

Ordinary shares issued by the Company, recognised based on their nominal values.

3.17 Dividends

Dividends are recognised as liability in the period in which they are declared.

3.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the Group; whose operating results are regularly reviewed by the management to make decisions about resources to be allocated to the segment and assess its performance.

3.19 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

4. ADOPTION OF NEW AND REVISED STANDARDS

In the current year the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2019. Although these new standards and amendments are applied for the first time in 2019, they did not have a material impact on the annual consolidated financial statements of the Group.

Standards and interpretations that have not yet been effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

5. OPERATING SEGMENTS

The main activities of the Group comprise of 6 main operations which are its reportable segments. The summary description of the reportable segments is presented below:

1) Sale/export of agricultural products

The Group implements seasonal collection of different fresh fruits and vegetables in Armenia and Georgia, as well as produces agricultural produce such as fruits and vegetables. These fruits and vegetables are stored in the refrigerated warehouses of the Group and are mainly exported.

The Group also purchases and exports to Russia dairy products. The Group has supply contracts with major retail chains in Russia.

The agricultural products are mainly exported under the trademarks "Ararat Fruit" and "Ararat Food".

This is the largest segment of the Group in terms of revenues and gross profits.

2) International transportation

The Group provides third party International transportation services mainly to importers to Armenia. The Group provides international transportation service mainly using its own trucks; however, in case of necessity it also engages rented trucks. The Group owns more than 300 Volvo and Krone/Schmitz trucks.

The International transportation segment largely serves as a support to the main segment of Sale/export of agricultural products. In addition, it provides economies of scale by generating additional external revenues.

3) Production of agricultural produce

During the recent years the Group has been increasingly developing the segment of own production of agricultural produce (fresh fruits and vegetables), which mainly comprise of operation of greenhouse areas, open field cultivation of vegetables and fruits and cultivation of fruit orchards. The fruits and vegetables produced are exported by the Group as part of its main segment of Sale/export of agricultural products.

During 2019, the Group has completed the construction and subsequently started the operation of around 50 hectares of greenhouse area, thus increasing the total greenhouse area operated by the Group to over 105 hectares.

During 2018 and 2019 the Group has completed the construction and planting of around 50 hectares of fruit orchards, thus increasing total cultivation of fruit orchards to more than 125 hectares (mainly apricot, cherry, apple, plum and pear). In addition, as of 31 December of 2019 the Group has started the construction of around 300 hectares of intensive orchards. 425 hectares are expected to mature for fruit harvesting by 2021-2022.

During 2018 the Group has completed the construction of around 80 hectares of open field cultivation, thus increasing the open field cultivation area to around 127 hectares (radish, melon and garlic).

4) Servicing trucks

The Company has constructed a maintenance service center for trucks, which is the official representative of Volvo Trucks in Armenia. The Service center has been put into operation during the year ended 31 December 2016. It provides services to the Company's own trucks as well as to third parties.

5) Production of blue cheese

During 2017 the Group has started construction of a blue cheese factory. For this purpose, it has received a plot of land under Government grant and has signed a loan agreement with a credit institution to finance the purchase of the equipment - production line for blue cheese.

During 2019 the Blue Cheese factory has been put into operation and the Group started to produce and sell blue cheese, mainly for export, under the trademark "Sambiel".

Other segments mainly comprise of production of canary, production of plastic boxes and commission services.

Information relating to each reportable segment is set out below. The management monitors the reports of the operating segments and makes strategic decisions based on the operational results. Operating profit of each segment is used to measure results because the management believes that this information is the most relevant in evaluating the results.

Information about reportable segments

2019

Thousand AMD

REPORTABLE SEGMENTS

	Sale/export of agricultural products	Production of agricultural produce	International transportation	Production of blue cheese	Service center for trucks	Total Reportable Segments	Other Segments	Total
External revenues	51,411,415	-	4,300,686	-	209,084	56,876,216	541,941	57,418,157
Inter-segment revenue	-	12,237,015	4,113,053	955,031	675,964	17,026,032	-	17,026,032
Segment Revenue	51,411,415	12,237,015	8,413,739	955,031	885,048	73,902,248	541,941	74,444,189
Segment operating profit	2,744,589	2,117,638	341,955	65,949	69,282	5,339,413	22,640	5,362,053
Segment assets	32,737,909	86,174,990	19,451,787	5,845,221	1,359,243	145,569,150	3,236,324	148,805,474
Segment liabilities	24,297,810	60,972,788	9,504,696	1,452,205	157,702	96,385,201	286,066	96,671,267

2018

Thousand AMD

REPORTABLE SEGMENTS

	Sale/export of agricultural products	Production of agricultural produce	International transportation	Production of blue cheese	Service center for trucks	Total Reportable Segments	Other Segments	Total
External revenues	77,062,456	-	4,466,372	-	342,762	82,080,140	534,197	82,405,787
Inter-segment revenue	-	9,368,480	5,649,066	-	838,344	15,855,890	-	15,855,890
Segment Revenue	77,062,456	9,368,480	10,115,438	-	1,181,106	97,936,030	534,197	98,261,677
Segment operating profit	18,103,147	1,610,126	1,598,646	-	106,388	21,438,671	132,117	21,550,424
Segment assets	30,267,401	81,905,612	11,435,094	2,074,234	974,004	127,557,988	2,628,447	129,284,792
Segment liabilities	20,320,331	51,069,786	3,324,559	3,164,989	124,399	78,094,487	135,711	78,139,775

Reconciliation of information on reportable segments to IFRS measures

The information on reportable segments reconciles with the amounts in IFRS financial statements on the following basis;

	2019	<i>Thousand AMD</i> 2018
Revenue		
Reportable Segments	73,902,248	97,727,480
Other Segments	541,941	534,197
Elimination of inter-segment revenue	(17,026,032)	(15,855,890)
Consolidated revenue	57,418,157	82,405,787
Operating profit		
Reportable Segments	5,339,413	21,418,307
Other Segments	22,640	132,117
Unallocated amounts	(1,390,357)	(981,274)
Consolidated operating profit	3,971,696	20,569,150
Assets		
Reportable Segments	145,569,150	126,656,345
Other Segments	3,236,324	2,628,447
Unallocated amounts	2,229,126	3,723,467
Consolidated total assets	151,034,600	133,008,259
Liabilities		
Reportable Segments	96,385,201	78,004,064
Other Segments	286,066	135,711
Unallocated amounts	239,945	127,398
Consolidated total liabilities	96,911,212	78,267,173

Revenue analysis based on geographical locations

	2019	<i>Thousand AMD</i> 2018
Russia	51,251,809	74,337,175
Armenia	5,297,065	5,083,331
UAE	-	2,777,156
EU and Eastern Europe	869,283	208,125
	57,418,157	82,405,787

6. REVENUE

	<i>Thousand AMD</i>	
	2019	2018
Sales of agricultural products	52,366,446	77,062,456
International transportation services	4,300,686	4,466,372
Truck servicing	209,084	342,762
Other	541,941	534,197
	57,418,157	82,405,787

Sales of agricultural products comprise export of fresh fruits and vegetables and dairy products mainly to Russian market.

Other revenue mainly comprises of other sales and commissions.

7. COST OF SALES

	<i>Thousand AMD</i>	
	2019	2018
Sale of agricultural products	40,684,844	48,271,351
International transportation services	2,619,464	2,628,452
Truck servicing	109,802	162,678
Other	424,767	311,147
	43,838,877	51,373,628

Cost of sales comprises of the following expenses:

	<i>Thousand AMD</i>	
	2019	2018
Agricultural products	25,611,089	36,015,249
Utilities and Services	7,961,114	5,368,002
Customs duties	2,223,441	2,416,401
Staff costs	2,525,162	2,798,322
Fuel costs	1,230,739	1,306,514
Depreciation	3,012,789	2,112,485
Other	1,274,543	1,356,655
	43,838,877	51,373,628

8. SELLING AND DISTRIBUTION EXPENSES

	<i>Thousand AMD</i>	
	2019	2018
Transportation costs	2,218,817	3,235,008
Salaries	1,401,547	1,344,171
Commissions	88,200	107,460
Depreciation	674,716	679,158
Fixed assets maintenance	450,329	644,455
Marketing and advertisement	68,377	-
Other	753,836	785,391
	5,655,822	6,795,643

9. ADMINISTRATIVE EXPENSES

	<i>Thousand AMD</i>	
	2019	2018
Salaries	675,317	738,062
Depreciation	270,047	273,480
Professional and consulting fees	802,729	758,425
Mandatory fees	166,110	68,185
Office maintenance and utilities	151,441	189,641
Other	201,440	193,650
	2,267,084	2,221,443

10. OTHER INCOME

	<i>Thousand AMD</i>	
	2019	2018
Compensation income	85,097	126,458
Income from forgiven payables	63,173	257,157
Other income	56,993	155,086
	205,263	538,701

11. OTHER EXPENSES

	<i>Thousand AMD</i>	
	2019	2018
Impairment of inventories	1,317,991	1,438,943
Impairment and write off– Trade and other receivables	348,432	84,873
Depreciation	163,988	169,535
Other expenses	59,530	291,273
	1,889,941	1,984,624

12. OTHER NON-OPERATING INCOME

	<i>Thousand AMD</i>	
	2019	2018
Income from Government grants (Note 23)	238,862	-
	238,862	-

Income from Government grants represents amortization of the Government grant recognized as deferred income (refer to Note 23)

13. FINANCE INCOME/(COST)

	<i>Thousand AMD</i>	
	2019	2018
Finance income		
Interest income	50,796	3,661
Realised foreign exchange gain, net	-	104,434
	50,796	108,095
Finance cost		
Realised foreign exchange loss, net	(65,299)	-
Unrealised foreign exchange loss, net	(349,870)	(835,724)
Interest expense	(4,592,789)	(2,960,634)
	(5,007,958)	(3,796,358)
Net finance cost	(4,957,162)	(3,688,263)

14. INCOME TAX

Recognised in Profit or loss

	<i>Thousand AMD</i>	
	2019	2018
<i>Current tax</i>		
Current year	-	(1,227,582)
Changes in estimates related to prior years	-	(270,414)
	-	(1,497,996)
<i>Deferred tax</i>		
Origination and reversal of temporary differences	128,906	(17,058)
	128,906	(17,058)
Total tax expense	128,906	(1,515,054)

Movement in deferred tax assets and liabilities

	<i>Thousand AMD</i>			
2019	As at 1 January	Recognised in Profit or loss	Recognised in OCI	As at 31 December
<i>Deferred tax assets</i>				
Property, plant and equipment	37,103	(3,657)	-	33,446
Trade and other receivables	122,040	46,308	-	168,348
Trade and other payables	32,540	(18,170)	-	14,370
Tax losses carried forward	-	67,347	-	67,347
Total deferred tax assets	191,683	91,828	-	283,511
<i>Deferred tax liabilities</i>				
Property, plant and equipment	(271,342)	37,078	-	(234,264)
Total deferred tax liabilities	(271,342)	37,078	-	(234,264)
Net deferred tax assets	(79,659)	128,906	-	49,247

According to the 2019 amendments to the Armenian Tax code, effective as of 1 January 2020, the profit tax rate has been reduced from 20% to 18%. This had a corresponding effect on deferred tax assets and liabilities arising from temporary differences.

	<i>Thousand AMD</i>			
2018	As at 1 January	Recognised in Profit or loss	Recognised in OCI	As at 31 December
<i>Deferred tax assets</i>				
Property, plant and equipment	37,103	-	-	37,103
Trade and other receivables	105,593	16,447	-	122,040
Trade and other payables	62,383	(29,843)	-	32,540
Total deferred tax assets	205,079	(13,396)	-	191,683
<i>Deferred tax liabilities</i>				
Property, plant and equipment	(267,680)	(3,662)	-	(271,342)
Total deferred tax liabilities	(267,680)	(3,662)	-	(271,342)
Net deferred tax assets	(62,601)	(17,058)	-	(79,659)

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Vehicles	Furniture and fittings	Bearer plants	Under construction	Total
Thousand AMD							
Cost/Revalued amounts							
<i>At 1 January 2018</i>	25,908,999	25,858,865	15,061,170	776,293	910,503	18,879,918	87,395,748
Additions	2,664,593	2,531,491	72,175	296,795	-	30,439,015	36,004,069
Disposals	-	(205)	(3,000)	(2,372)	-	-	(5,577)
Transfers	151,632	13,448,997	-	125	-	(13,600,754)	-
<i>At 31 December 2018</i>	28,725,224	41,839,148	15,130,345	1,070,841	910,503	35,718,179	123,394,240
Additions	1,326,288	5,000,319	7,733,573	177,546	-	8,827,258	23,064,984
Disposals	(34)	(721)	(12)	(236)	-	-	(1,003)
Transfers	7,051,769	25,543,970	-	184,594	-	(32,780,333)	-
<i>As at 31 December 2019</i>	37,103,247	72,382,716	22,863,906	1,432,745	910,503	11,765,104	146,458,221
Depreciation and impairment							
<i>At 1 January 2018</i>	606,476	1,834,005	2,896,842	208,648	26,274	-	5,572,245
Depreciation for the year	351,967	2,102,399	932,007	119,226	59,601	-	3,565,200
Disposals	-	(95)	(2,686)	(25)	-	-	(2,806)
<i>As at 31 December 2018</i>	958,443	3,936,309	3,826,163	327,849	85,875	-	9,134,639
Depreciation for the year	397,987	3,277,426	869,997	212,970	59,601	-	4,817,981
Disposals	(34)	(5)	(12)	(214)	-	-	(265)
<i>As at 31 December 2019</i>	1,356,396	7,213,730	4,696,148	540,605	145,476	-	13,952,355
Carrying amounts							
<i>At 31 December 2018</i>	27,766,781	37,902,839	11,304,182	742,992	824,628	35,718,179	114,259,601
<i>At 31 December 2019</i>	35,746,851	65,168,986	18,167,758	892,140	765,027	11,765,104	132,505,866

As at 31 December 2019 the carrying amount of the property, plant and equipment pledged as security for loans and borrowings was 119,848,612 thousand AMD (as at 31 December 2018: 77,798,430 thousand AMD).

Additions to the land and buildings during the year ended 31 December 2019 mainly comprise of acquisition of agricultural land and capital expenditure on existing buildings. Additions to the land and buildings during the year ended 31 December 2018 mainly comprise of acquisition of agricultural land, mainly for the purpose of intensive orchard cultivation and open field fruits and vegetables cultivation and also capital expenditure on the existing buildings. Transfers to land and buildings during the year ended 31 December 2019 mainly comprise of the Blue cheese factory.

Transfers and additions to Plant and equipment during the year ended 31 December 2019 mainly included greenhouse areas of 20 and 30 hectares near Noragavit area and plant and equipment of blue cheese factory area completed and put into operation during the year. Transfers to the plant and equipment during the year ended 31 December 2018 mainly comprise of around 30 hectares of greenhouse area completed and put into operation during the year.

Additions to vehicles during the year ended 31 December 2019 included purchases of 100 Volvo FH trucks and 100 Schmitz trailers.

During the year ended 31 December 2019 additions to Under construction property plant and equipment included capitalized interest of 1,011,620 thousand AMD. During the year ended 31 December 2018 additions to Under construction property plant and equipment included capitalized interest of 1,153,213 thousand AMD.

As at 31 December 2019 Under construction assets mainly comprised of 300 hectares of newly planted orchards in the process of construction, which have not yet matured to fruit harvesting. As at 31 December 2018 Under construction assets mainly comprised around 50 hectare of greenhouse area, cheese factory construction and equipment and over 300 hectare of orchards in the process of construction.

The depreciation expense of the Property, plant and equipment has been allocated as follows.

	<i>Thousand AMD</i>	
	2019	2018
Cost of sales	3,012,789	2,112,485
Selling and distribution expenses	674,716	679,158
Administrative expenses	270,047	273,480
Other expenses	163,988	169,535
Biological assets	696,441	330,542
	4,817,981	3,565,200

16. INTANGIBLE ASSETS

	<i>Thousand AMD</i>				
	Computer Software	Trademarks	Licenses	Other	Total
Cost					
<i>At 1 January 2018</i>	38,506	1,861	-	-	40,367
Additions	18,534	127	-	-	18,661
<i>At 31 December 2018</i>	57,040	1,988	-	-	59,028
Additions	4,231	-	27,500	4,359	36,090
<i>At 31 December 2019</i>	61,271	1,988	27,500	4,359	95,118
Amortisation					
<i>At 1 January 2018</i>	14,794	1,245	-	-	16,039
Amortisation for the year	5,243	187	-	-	5,430
<i>At 31 December 2018</i>	20,037	1,432	-	-	21,469
Amortisation for the year	6,111	199	1,179	89	7,578
<i>At 31 December 2019</i>	26,148	1,631	1,179	89	29,047
Carrying amounts					
<i>At 31 December 2018</i>	37,003	556	-	-	37,559
<i>At 31 December 2019</i>	35,123	357	26,321	4,270	66,071

Trademarks comprise of “Ararat Food”, “Ararat Fruit” and “Spayka Plastic” trademarks.

17. INVENTORIES

	<i>Thousand AMD</i>	
	2019	2018
Agricultural products	1,713,535	2,735,413
Raw materials and consumables	1,959,613	2,035,362
Finished goods	631,650	438,627
	4,304,798	5,209,402

Agricultural products mainly include dairy products, fresh fruits and vegetables. Finished goods mainly represent blue cheese and fruit compotes produced by the Group.

During 2019 the inventories have been reduced by 1,317,991 thousand AMD (2018: 1,438,943 thousand AMD) as a result of impairment to net realisable value. Such impairment losses have been expensed in Other expenses.

18. BIOLOGICAL ASSETS

	<i>Thousand AMD</i>	
	2019	2018
Produce growing on bearer plants	3,529,296	1,230,148
	3,529,296	1,230,148

Biological assets are stated at cost. As at 31 December 2019 and 31 December 2018 biological assets mostly comprise agricultural produce growing on tomato and cucumber plants.

Reconciliation of carrying amount is as follows:

	<i>Thousand AMD</i>	
	2019	2018
As at 1 January	1,230,148	560,876
Additions: Agricultural produce at cost	12,418,525	8,427,626
Fair value gain on agricultural produce upon harvest (see below)	2,117,638	1,610,126
Harvested produce transferred to inventories	(12,237,015)	(9,368,480)
As at 31 December	3,529,296	1,230,148

Fair values

Fair value measurement of agricultural produce upon harvest has been categorized as Level 2 fair values based on observable market sales data.

	<i>Thousand AMD</i>	
	2019	2018
Fair value less cost to sale of agricultural produce upon harvest	12,237,015	9,368,480
Cost of harvested agricultural produce	(10,119,377)	(7,758,354)
Fair value gain on biological assets	2,117,638	1,610,126

19. CASH AND CASH EQUIVALENTS

	<i>Thousand AMD</i>	
	2019	2018
Cash in cashbox	22,744	272,920
Current bank accounts	523,111	1,052,223
	545,855	1,325,143

20. TRADE AND OTHER RECEIVABLES

Thousand AMD

	2019	2018
Trade receivables	5,773,400	5,172,169
Prepayments given	2,657,283	3,898,255
Receivable from State budget	2,134,553	2,135,336
Advances to employees	169,236	159,165
	10,734,472	11,364,925
Provision for impairment	(935,269)	(610,202)
	9,799,203	10,754,723
Non-current	365,855	2,161,690
Current	9,433,348	8,593,033
	9,799,203	10,754,723

Non-current trade and other receivables mainly represent prepayments given for acquisition of Property, plant and equipment.

No interest is charged on the trade receivables. Generally, trade receivables are repayable in 30 days.

Under Factoring agreements, the Group has transferred certain trade receivables to banks for cash proceeds. Trade receivables have not been derecognised from consolidated financial statement, because the Group retains substantially all the risks and rewards, primarily credit risk. The amounts received on transfers have been classified as secured bank loans.

Receivables from state budget mainly comprise of prepayments made to the unified SRC tax account of the Group and VAT receivables. The prepayments to the unified tax account include the deposit of AMD 1,000,000 thousand as described in Note 25. Management considers that the receivables from the State budget are fully recoverable.

After the reporting period and as of to date trade receivable from a counterparty has increased to RUR 360 million due to some issues associated with the inability of the counterparty to process the repayment. The management considers the receivables to be fully recoverable.

Movement in provision for impairment is represented below:

Thousand AMD

	2019	2018
Balance at 1 January	610,202	527,971
Impairment charge for the year	325,067	82,231
Balance at 31 December	935,269	610,202

21. CAPITAL AND RESERVES

21.1 Share capital

	<i>Thousand AMD</i>	
	2019	2018
Issued and paid ordinary shares	6,194,169	6,194,169
	6,194,169	6,194,169

As at 31 December 2019 and 2018 the share capital of the Company amounted to 6,194,169 thousand AMD,

As at 31 December 2019 the 100% shareholder of the Company was Davit Ghazaryan (as at 31 December 2018: the 100% shareholder of the Company was Davit Ghazaryan).

21.2 Additional Paid in Capital

Additional paid in capital represents the bargain gain arising from acquisition of a subsidiary company under a common control transaction.

21.3 Revaluation reserve

The revaluation reserve arises on the revaluation of land and represents the aggregate of the revaluation gain and the respective deferred tax expense, as well as revaluation decrease to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of the same asset.

21.4 Dividends

In accordance with the legislation of Republic of Armenian the Company's distributable reserves are limited to the retained earnings determined based on the Company's financial statements prepared in accordance with IFRSs.

During the years ended 31 December 2019 and 31 December 2018 the Group did not declare any dividends.

22. LOANS AND BORROWINGS

	<i>Thousand AMD</i>	
	2019	2018
Non-current		
Secured loans	57,277,509	63,140,941
Unsecured bond issues	5,045,720	-
Finance lease liabilities	83,906	26,678
	62,407,135	63,167,619
Current		
Secured loans	26,149,855	7,084,723
Unsecured bond issues	41,044	-
Finance lease liabilities	28,042	7,241
	26,218,941	7,091,964
Total loans and borrowings	88,626,076	70,259,583

Terms and conditions of the loans and borrowings are disclosed below

Thousand AMD

	Currency	Year of maturity	Nominal interest rate	2019	2018
Secured bank loan	USD	2026	6 month LIBOR+5%	16,153,894	15,708,975
Secured bank loan	USD	2026	3 month LIBOR+5%	10,737,271	10,423,384
Secured bank loan	USD	2026	6.57%	2,516,112	-
Secured bank loan	EUR	2026	7.25%	686,635	-
Secured loan	EUR	2024	1.50%	6,534,356	-
Secured bank loan	EUR	2024	2.20%	6,676,539	7,567,508
Secured bank loan	EUR	2024	EURIBOR+2.90%	3,120,109	3,238,127
Secured bank loan	USD	2024	7.73%	3,565,590	-
Secured bank loan	EUR	2023	EURIBOR+2.40%	4,120,270	2,856,253
Secured bank loan	EUR	2023	EURIBOR+1.95	1,294,427	1,165,247
Secured bank loan - credit line	USD	-	7.92%	6,084,439	6,303,179
Secured bank loan - credit line	EUR	-	6.25%	2,710,615	2,737,252
Secured bank loan - credit line	AMD	-	9.00%	1,432,284	1,183,531
Secured bank loan - credit line	USD	-	8.75%	1,502,363	-
Secured bank loan - credit line	USD	-	7.5%	127,224	-
Secured bank loan	USD	2022	8.00%	844,744	-
Secured bank loan	AMD	2022	10%	221,336	299,618
Secured loan	USD	2021	5.50%	1,924,044	2,271,797
Secured loan	USD	2021	5%	858,076	1,063,878
Secured bank loan	USD	2020	7.00%	4,917,238	3,816,243
Secured bank loan	EUR	2020	7.00%	3,544,713	4,978,623
Secured bank loan	RUB	2020	12.00%	2,045,691	2,008,325
Secured bank loan	USD	2020	9.50%	1,689,001	-
Secured bank loan	USD	2020	9.50%	120,393	232,667
Unsecured bond issue	USD	2021	8.50%	3,661,044	-
Unsecured bond issue	AMD	2021	12.50%	603,709	-
Unsecured bond issue	AMD	2021	12.50%	822,011	-
Finance lease liabilities	USD	2024	8.50%	85,097	-
Finance lease liabilities	AMD	2022	2%	26,851	33,919
Secured bank loan	USD	2024	6.25%	-	702,446
Secured bank loan	USD	2024	8.00%	-	1,237,007
Secured bank loan	USD	2024	6.25%	-	713,351
Secured bank loan	USD	2024	6.25%	-	107,090
Secured bank loan	USD	2024	6.50%	-	58,151
Secured bank loan	USD	2024	7.5%	-	1,454,703
Secured loan	EUR	2019	7.50%	-	22,709
Secured loan	EUR	2019	7.50%	-	71,036
Secured bank loan	AMD	2020	14.0%	-	4,564
				88,626,076	70,259,583

During the year ended 31 December 2019 the Group has signed the following loan agreements with a local bank with the main purpose of restructuring its current debt through the repayment of existing loans:

- Loan amount of USD 5,624,599, with an annual interest rate of 6.57% and final repayment date of 22 September 2026.
- Loan amount of EURO 1,323,000, with an annual interest rate of 7.25% and final repayment date of 18 September 2026,
- Loan amount of USD 8,148,551, with an annual interest rate of 7.73% and final repayment date of 25 March 2024.
- Loan amount of USD 2,070,000, with an annual interest rate of 8% and final repayment date of 11 April 2022

On 8 November 2019, the Group signed a loan agreement with a local bank on providing a credit line for 10 years with a maximum limit of AMD 3 bln or equivalent USD or EURO amounts, for the purpose of covering working capital needs. During the year ended 31 December 2019 the Group has withdrawn in total of USD 3,143,000, with an annual interest rate of 8.75%.

On 4 December 2019 the Group signed a short term loan agreement with a local bank for a total amount of USD 3.5 million, with an annual interest of 9.5% and maturity term of 12 months.

On 14 October 2019, the Group's credit lines with a total carrying balances of AMD 10,507,642 thousand as of 31 December 2019, have been converted into a term loan to be repayable within 12 months.

On 4 October 2018 the Company has signed a contract for the purchase of 100 Volvo FH trucks and 100 Schmitz trailers, which have not been delivered as of 31 December 2018. As per Contract the payment of the 85% of the contract value shall constitute a loan in the amount of Euro 12 million, to be paid by the Company in 5 years: 10 equal semi-annual installments the first falling due 6 months from the delivery, bearing 1.5% annual interest rate.

Unsecured Bond issues

During the year ended 31 December 2019 the Group has issued and allocated bonds denominated in AMD and USD, with nominal values of AMD 1,400,000 thousand and USD 7,600,000 respectively, in the Republic of Armenia. Issued bonds carry nominal annual interest rate of 12.5% and 8.5% respectively and have a maturity of 3 years each.

All the bond issued by the Group, are listed at the Armenia Securities Exchange.

Overdue Loan payments and breach of loan covenants

As of 31 December 2019 the Group had overdue loan payments in the total amounts of AMD 1,691,629 thousand.

The Group has secured bank loans with carrying amounts of AMD 16,153,894 thousand, AMD 10,737,271 thousand and AMD 4,120,270 at 31 December 2019, which contain certain financial covenants. As of 31 December 2019 some of those financial covenants have not been satisfied by the Group.

The above cases may constitute an event of default in respect of secured bank loans, in which case the loans may become repayable on demand, however, up to date none of the lenders of respective loans have exercised this right. Accordingly, the respective loans have not been classified as payable on demand as of 31 December 2019.

Loans and borrowings are secured as follows:

- Property, plant and equipment (Note 15)
- Trade and other receivables (Note 20)
- Turnover of current bank accounts
- Personal guarantee of the owner, Davit Ghazaryan
- Guarantees from Group companies

23. DEFERRED INCOME

	<i>Thousand AMD</i>	
	2019	2018
Balance at 1 January	6,369,666	6,369,666
Realised to income from Government grants (Note 12)	(238,862)	-
Balance at 31 December	6,130,804	6,369,666

Government Grants

During 2017 the Group received a 76.4 hectares plot of land, with a fair value of AMD 6,369,666 thousand, from Yerevan Municipality as a Government grant, under the condition of constructing a blue cheese factory and greenhouse area on that plot of land by 2020. As of 31 December 2019 the Group as already completed the construction of Blue cheese factory and the Greenhouse areas and put them into operations during the same year.

The grant, recognised as deferred income, is being amortised over the useful life of the respective assets.

24. TRADE AND OTHER PAYABLES

	<i>Thousand AMD</i>	
	2019	2018
Trade payables	1,251,308	814,256
Prepayments received	85,943	116,301
Salaries payable	374,660	159,689
Payables to shareholder	100,938	-
Payable to State budget	11,856	20,134
Accruals	79,834	162,699
Other payables	15,529	37,252
	1,920,068	1,310,331

25. TAX CASE

On 4 April 2019 the Investigation Department of State Revenue Committee of Armenia (SRC) has brought charges against Davit Ghazaryan, the General Director of Spayka LLC, in relation to trading activities of a resident legal entity "Greenproduct" LLC for an offence under Article 205 of the Criminal Code of Armenia, which defines a punishment for an evasion of taxes, duties or other mandatory payments.

SRC's Investigation Department suspects that, during the period from 1 January 2015 to 11 January 2016, with intention to avoid taxes, the Management of Spayka LLC de facto controlled Greenproduct LLC, which has failed to appropriately declare and submit actual data to customs authorities about goods imported by it, as required by legislation. Particularly, false data (showing that the imported goods were simply goods relieved from customs duty and VAT) has been presented to Customs authorities for custom clearance, VAT and other tax payments. As per the allegation, this allowed avoiding paying AMD 7,036,666 thousand of actual tax obligations, of which VAT around AMD 5,000,000 thousand and Customs duty around AMD 2,000,000 thousand.

Davit Ghazaryan, as General Director of Spayka LLC has made objections to brought charges concerning to the amount of damages calculated, as well as to the perpetrator of the crime, based on the following claims:

- Allegation of presenting false data for custom clearance when importing goods actually refers to Greenproduct LLC, the importer of goods, from whom Spayka LLC has only purchased the goods and exported to other countries.
- Greenproduct LLC did not have enough financial means to pay disputed tax claims and SRC's Investigation department subjectively brought charges against Spayka LLC as Spayka LLC was the counterparty (buyer) of the goods.
- As per Tax code of Republic of Armenia, in case of exporting goods, the exporter company receives back the VAT paid upon importing those goods or offsets against any VAT payables.
- Even, in a hypothetical scenario, if assumed that Spayka LLC was the actual beneficiary of the goods imported by Greenproduct LLC then upon exporting of these goods Spayka LLC should have been entitled to settle (receive back) the VAT (AMD 5,000,000 thousand). For this reason, alleged unpaid VAT due should be set nil and adjusted in the final inspection act of SRC or netted in favor of Spayka LLC.

In respect of the above allegation, on 8 April 2019, General Director of Spayka LLC, Davit Ghazaryan, has been taken into custody, based on a court decision.

In order not to jeopardize the business continuity of the largest agricultural company of Armenia, while holding a strong position that the case had no legal relation to Spayka LLC, AMD 1,000,000 thousand was deposited by Spayka LLC to the unified tax account of SRC on 3 May 2019 and on the same day Davit Ghazaryan was released from custody.

Currently the investigation is at an ongoing stage and SRC is in the process of estimating/calculating the exact amount of tax liability due, which will be followed by settlement and termination of the case. If the investigation resolves enforcement or settlement of any tax liabilities in respect of the case, then the AMD 1,000,000 thousand deposited in the unified tax account shall be considered as a settlement for repayment of unpaid custom duties with regards to the case.

No provision has been recognized by the Group in the financial statements for the year ended 31 December 2019 in relation to the Case, as the Management of the Group believes that any liability arising from the settlement or enforcement (whichever might be the outcome) of the case shall not have legal relation to the Group and shall not be attributable to the Group.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Management has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities.

1) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. This risk arises from financial instruments such as trade and other receivables, loans receivable and cash at bank. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Loans receivable are provided to related parties. Cash balances are held with high credit quality financial institutions.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019	2018
	<i>Thousand AMD</i>	
Trade and other receivables	9,799,203	10,754,723
Current bank accounts	523,111	1,052,223
	10,322,314	11,806,946

2) Liquidity risk

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

Liquidity risk arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the objective of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments as of the reporting date.

31 December 2019

31 December 2019

	Thousand AMD					
	Carrying amounts	Contractual cash flows	3 months or less	3-12 Months	1-5 years	Over 5 years
Loans and borrowings	88,626,076	98,129,731	5,583,551	23,591,431	54,523,573	14,431,176
Trade and other payables	1,920,068	1,920,068	1,920,068			
	90,546,144	100,049,799	7,503,619	23,591,431	54,523,573	14,431,176

31 December 2018

31 December 2018

	Thousand AMD					
	Carrying amounts	Contractual cash flows	3 months or less	3-12 Months	1-5 years	Over 5 years
Loans and borrowings	70,259,583	87,343,818	1,924,764	10,907,644	59,927,098	14,584,312
Trade and other payables	1,310,331	1,310,331	1,310,331	-	-	-
Income tax payable	56,251	56,251	-	56,251	-	-
	71,626,165	88,710,400	3,235,095	10,963,895	59,927,098	14,584,312

3) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollars, the Euro and the Russian Ruble. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Group's exposure to foreign currency risk was as follows:

31 December 2019

	<i>Thousand AMD</i>			
	US Dollars	Euro	Russian Ruble	Georgian Lari
Financial assets				
Trade and other receivables	1,154,998	234,721	6,455,970	7,411
Cash and cash equivalents	437	339	523,329	323
	1,155,435	235,060	6,979,299	7,734
Financial liabilities				
Loan and borrowings	54,962,890	28,687,664	2,045,691	-
Trade and other payables	515,116	194,047	419,676	8,972
	55,478,006	28,881,711	2,465,367	8,972
Net exposure	(54,322,571)	(28,646,651)	4,513,932	(1,238)

31 December 2018

	US Dollars	Euro	Russian Ruble	Thousand AMD Georgian Lari
Financial assets				
Trade and other receivables	1,451,058	2,273,938	3,770,007	13,731
Cash and cash equivalents	94,594	-	593,857	6,174
	<u>1,545,652</u>	<u>2,273,938</u>	<u>4,363,864</u>	<u>19,905</u>
Financial liabilities				
Loan and borrowings	45,255,249	21,474,376	2,008,325	-
Trade and other payables	154,547	262,167	271,690	-
	<u>45,409,796</u>	<u>21,736,544</u>	<u>2,280,015</u>	<u>-</u>
Net exposure	<u>(43,864,144)</u>	<u>(19,462,606)</u>	<u>2,083,849</u>	<u>19,905</u>

Sensitivity analysis

A 10% strengthening/weakening of the Armenian dram against the US Dollar, the Euro and the Russian Ruble would have affected the values of financial instruments denominated in those currencies and the profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

10% strengthening

	US Dollar impact		Euro Impact		Russian Ruble impact	
	2019	2018	2019	2018	2019	2018
Profit or loss	5,432,257	4,386,414	2,864,665	1,946,261	(451,393)	208,385

10% weakening

	US Dollar impact		Euro Impact		Russian Ruble impact	
	2019	2018	2019	2018	2019	2018
Profit or loss	(5,432,257)	(4,386,414)	(2,864,665)	(1,946,261)	451,393	(208,385)

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Loans issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	<i>Thousand AMD</i>	
	2019	2018
<i>Fixed rate instruments</i>		
Financial liabilities	53,200,105	36,867,597
<i>Variable rate instruments</i>		
Financial liabilities	35,425,971	33,391,986
	88,626,076	70,259,583

The Company does not account for any fixed-rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the strive to improve the debt to equity ratio.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

27. FAIR VALUES

Management believes that the fair values of the Group's financial assets and liabilities approximate their carrying amounts at the reporting date.

28. CONTINGENCIES

Business environment

As emerging economies Armenia and Russia continue undergoing political and economic transformations pertinent to economies en route from centralized planning to free market one. Consecutively, Armenia and Russia have not concluded forming developed institutional framework and infrastructures that generally exist in more mature free market economies.

For companies operating in such economies the above mentioned brings an inherent risk of continuous or sometimes abrupt changes of exogenous factors such as tax administration, capital flow controls, foreign exchange operations, red tapes, export/import tariffs and etc., these factors may negatively affect Group's future financial position and results. However, as the number of variables and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Group may be affected.

The management believes that its performance track record is undisputable proof that it has taken and is taking appropriate steps under existing conditions to ensure the stability of the Group.

Insurance

The Armenian insurance industry is in its development stage and many types of insurance common in developed markets are not yet generally available in Armenia. Although the Group has insured its fixed assets, but it does not have full coverage for all of its assets, therefore, there is a risk that the loss or destruction of certain assets or environmental damage could have a material effect on the Group's operations and financial position.

Taxation

The taxation system in Armenia is characterised by frequent changes in legislation and disputes arising from misinterpretation and misapplication of the Tax Code in practice.

These circumstances may create tax risks for companies in Armenia, likewise in any other emerging market economies around the world. 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.

29. RELATED PARTY TRANSACTIONS

The Group's related parties include its shareholders, other entities and individuals related to its shareholders and key management.

The ultimate controlling party of the Group is Davit Ghazaryan who owns 100% of the shares of Company.

The transactions and balances with related parties are as follows:

29.1 Key Management's remuneration

	<i>Thousand AMD</i>	
	2019	2018
Salaries and bonuses	191,595	329,702
	191,595	329,702

29.2 Sales of goods and services to related parties

	<i>Thousand AMD</i>	
	2019	2018
Other related entities	12,226	10,967
	12,226	10,967

29.3 Trade and other payables to related parties

	<i>Thousand AMD</i>	
	<u>2019</u>	<u>2018</u>
Payable to shareholder	100,938	-
	<u>100,938</u>	<u>-</u>

30. EVENTS AFTER REPORTING DATE

30.1 COVID-19 pandemic

In connection with the recent rapid development of the coronavirus pandemic (COVID-19), many countries, including the Republic of Armenia, introduced quarantine measures, which had a significant impact on the level and scale of business activity in the country and worldwide and raised uncertainties. It is expected that both, the pandemic itself and measures to minimize its consequences, can affect the activities of companies from various industries. The Group considers this pandemic as a non-adjusting event after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence.

The management is currently analyzing the possible impact of changing micro and macroeconomic economic conditions on the financial position and performance of the Group.

30.2 Loans and Borrowing

As of to date the Group's overdue loan balances amounted to USD 7.3 million and EURO 4.8 million.

In respect of the above, during 2020 Lenders Club was formed to monitor the Group's financial performance and the forecasts on monthly/weekly basis in order to ensure coordinated and effective repayment of loan obligations. Management has started negotiations with the lenders to achieve revised repayment terms based on the forecasts.

For the purpose of covering working capital needs, on 28 February 2020 the Group signed an additional short term loan agreement with a local bank for an amount of USD 3,800,000, carrying an annual interest rate of 8%.

During the months of April and May, within the scope of Government assistance in response to Covid 19, the Group received a short term and interest free loan from a local bank totaling to AMD 500 million with a 3 months' grace period.

On 27 May 2020, a local bank in collaboration with Export Insurance Agency of Armenia have provided a factoring credit line with USD 4 million limit to the Group, for the purpose of covering working capital needs related of greenhouses in the pre-vegetation stage. As of to date USD 2.35 million of the credit line has been used by the Group.

In response to addressing the tough economic impact of Covid 19 in Armenia, as of March-April 2020 all local banks have provided 3 months' credit holiday to their customers, including the Group, thus exempting the Group from the obligation of fulfilling the loan repayments as per repayment schedule.

In addition to above, the Group has also signed an addendum with one of the local banks for restructuring the repayment schedule of current loan liabilities and reducing the interest rate of the loans by 0.5% for USD denominated loan and 1% for EURO and RUR denominated loans.

30.3 Trade receivables

After the reporting period and as of to date trade receivable amount from a counterparty has increased to around RUR 360 million due to some issues associated with the inability of the counterparty to process the repayment. The management considers the receivables to be fully recoverable.

Կառավարման մարմինների տարեկան զեկույց

1. Ներածություն

Սույն հաշվետվությունը ներկայացնում է «Սպայկա» ՍՊ ընկերության (այսուհետ՝ նաև Սպայկա կամ Ընկերություն) 2019 թվականի գործունեության արդյունքները և հետագա զարգացման նկարագիրը՝ ներառյալ այն հիմնական ռիսկերի կամ անորոշությունների նկարագիրը, որոնց հետ առնչվել կամ առնչվում է Ընկերությունը:

2. «Սպայկա» ՍՊ ընկերության գործունեության ընդհանուր նկարագիր

«Սպայկա» ՍՊԸ հիմնադրվել է 2001թ. Ընկերության միակ բաժնետեր և գլխավոր տնօրեն Դավիթ Դազարյանի կողմից՝ որպես Հայաստանի Հանրապետությունից դեպի ԱՊՀ ու ԵՄ երկրներ և հակառակ ուղղություններով միջազգային բեռնափոխադրումների իրականացնող ընկերություն՝ ընգրկելով նաև սևծովյան մուլտիմոդալ բեռնափոխադրումների ուղղությունը: Ներկայումս ընկերության գործունեությունը ներառում է տրանսպորտի, ինտենսիվ այգիների, ինտենսիվ ջերմոցների, պտուղ-բանջարեղենի վերամշակման գործարանի, պանրի արտադրության, բեռնատարների տեխնիկական սպասարկման, Եմ, ԱՊՀ, Մերձավոր Արևելյան շուկաներում առևտրային գործունեության ուղղությունները:

2007-ին ընկերությունը Միջազգային ճանապարհային բեռնափոխադրումների գործակալության կողմից ճանաչվեց ԱՊՀ լավագույն բեռնափոխադրող, իսկ 2008թ.-ից թարմ մրգի և բանջարեղենի արտահանման նպատակով կառուցեց առաջատար տեխնոլոգիայով հագեցած սառնարանային լոգիստիկ կենտրոն՝ ներկայումս շահագործելով մոտ 20 հազար տոննա տարողությամբ համալիր:

2009թ. Ընկերությունը սկսեց «Արարատֆրուտ» բրենդի ներքո թարմ միրգ-բանջարեղենի արտահանումը և վաճառքը Ռուսաստանի Դաշնության (ՌԴ) մեծածախ ու մանրածախ շուկաներում:

2010թ.-ց մինչև այսօր ընկերությունը համալրում է շարժակազմը «VOLVO» մակնիշի նոր սառնարան-բեռնատարներով՝ 2019-ին հասցնելով դրանց թիվը 315-ի և դառնալով VOLVO TRUCKS և SCHMITZ CARGOBULL սառնարան-բեռնատարների ներկայացուցիչ:

2010-2012թթ-ին ընկերությունը հիմնեց պլաստիկ արկղերի արդյունաբերական արտադրություն՝ հրաժարվելով փայտե արկղերի կիրառումից որպես շրջակա միջավայրի պահպանության քաղաքականության դրսևորում:

2015թ-ից, շահագործման հանձնվեց պահածոների կոմպոտի և հյութերի իտալական տեխնոլոգիաներով արտադրություն՝ «Արարատֆուդ» ապրանքանիշի ներքո:

2017թ. ընկերությունը Գրինհաուզ և Կովկասֆուդ ընկերությունների բաժնեմասի ձեռքբերմամբ հաստատվեց ջերմոցային և ինտենսիվ այգիների ոլորտում՝ միաժամանակ կառուցելով սեփական ջերմոցային համալիր (105ՀԱ գերժամանակակից ջերմոցներ) ու ընդլայնելով ինտենսիվ այգիները (460ՀԱ):

2018թ-ին ընկերությունը ցամաքային ճանապարհով բեռնափոխադրումներ սկսեց դեպի Արաբական Միացյալ Էմիրություններ (ԱՄԷ):

2019թ. շահագործման հանձնվեց «Սամբիել» բրենդի ներքո տարեկան 2.000 տոննա արտադրողականությամբ կապույտ և սպիտակ բոբրոսով պանրի գործարանը:

Ընկերությունը ստացել է Global G.A.P. և ISO 22000 սննդի անվտանգության կառավարման սերտիֆիկատներ:

Ընկերության առաքելությունն է արտահանմանը միտված ինտենսիվ գյուղատնտեսության զարգացումը Հայաստանում՝ համայնքների կայուն զարգացմանը և ներառական տնտեսության կայացմանը նպաստելու միջոցով:

3. Ֆինանսական վերլուծություն, 2019թ

Ամփոփ ֆինանսական ցուցանիշներ.

Ցուցանիշ	Հազ.դրամ
Արտադրանքի իրացումից հասույթ	57,418,157
Իրագված արտադրանքի ինքնարժեք	-43,838,877
Իրացման ծախսեր	-5,655,822
Ադմինիստրատիվ ծախսեր	-2,267,085
Այլ գործառնական եկամուտ	205,263
Այլ գործառնական ծախսեր	-1,889,940
Գործառնական գործունեությունից շահույթ	3,971.696
Այլ ոչ գործառնական եկամուտ	238,862
Ֆինանսական ծախսեր, զուտ	-4,957,162
Շահութահարկի գծով օգուտ	128,906
Հաշվետու տարվա ընդամենը համապարփակ վնաս	-617,698
Դերիտորական պարտք	9,799,203
Կրեդիտորական պարտք	1,920,068

Անփոփ ֆինանսական գործակիցներ.

Ցուցանիշի անվանումը	31.12.2019թ.
Սեփական կապիտալի շահութաբերություն (ROE)	-1%
Ակտիվների շահութաբերություն (ROA)	-0.4%
Զուտ շահույթի մարժա (NPM)	-1%
Դերիտորական պարտքերի շրջանառելիության գործակից	5.9
Դերիտորական պարտքերի շրջապտույտի տևողությունն օրերով	61
Պաշարների շրջանառելիության գործակից	10.2
Պաշարների շրջապտույտի տևողությունն օրերով	35
Կրեդիտորական պարտքերի շրջանառելիության գործակից	22.8
Կրեդիտորական պարտքերի շրջապտույտի տևողությունն օրերով	16

5. Ընկերության արտադրական պլան, 2020թ.կանխատեսում

		Ամիսներ												Ընդամենը տարի
		1	2	3	4	5	6	7	8	9	10	11	12	
ՀՀ-ից մթերումներ	տ	-	-	-	-	-	1,240	4,060	-	300	3,800	1,000	-	10,400
Վերաարտահանում	տ	540	1,340	1,360	40	200	1,600	4,400	4,400	5,300	6,120	7,120	8,820	217,640
Սեփական արտադրանք	տ	2,160	3,100	3,440	7,060	6,720	3,800	1,080	300	880	1,740	3,360	2,920	36,560
Տրանսպորտային ծառայություններ, առաքում	հատ	135	222	240	355	346	332	477	235	324	583	574	587	4,410

ՀԱՅՏԱՐԱՐՈՒԹՅՈՒՆ

Մենք՝ պատասխանատու անձինք, հավաստիացնում ենք, որ մեր լավագույն տեղեկացվածության համաձայն ֆինանսական հաշվետվությունները ճշգրիտ և լիարժեք ձևով արտացոլում են Ընկերության ակտիվների և պարտավորությունների, ֆինանսական վիճակի, եկամուտների և ծախսերի իրական պատկերը, իսկ կառավարման մարմինների միջանկյալ գեկույցում ներառված տեղեկությունները ճշգրիտ և լիարժեք ձևով արտացոլում են Ընկերության ընդհանուր վիճակը, բիզնեսի արդյունքները և զարգացումը և ներառում է այն հիմնական ռիսկերի նկարագիրը, որի հետ առնչվել կամ առնչվում է Ընկերությունը:

ՊԱՏԱՍԽԱՆԱՏՈՒ ԱՆՁԻՆՔ

Անուն, Ազգանուն	Պաշտոն	Պատասխանատվության շրջանակ
Դավիթ Ղազարյան	Տնօրենների խորհրդի նախագահ / Գլխավոր տնօրեն	<ul style="list-style-type: none"> ✓ տնօրինում է Ընկերության գույքը, այդ թվում՝ ֆինանսական միջոցները, գործարքներ է կնքում Ընկերության անունից. ✓ ներկայացնում է Ընկերությունն այլ անձանց հետ հարաբերություններում ՀՀ տարածքում և արտերկրում. ✓ գործում է առանց լիազորագրի և տալիս է լիազորագրեր. ✓ սահմանված կարգով կնքում է պայմանագրեր, այդ թվում աշխատանքային. ✓ բանկերում բացում է Ընկերության հաշվարկային և այլ հաշիվներ. ✓ Ընկերության Մասնակիցների ընդհանուր ժողովի կամ Տնօրենների խորհրդի հաստատմանն է ներկայացնում կազմված նախագծեր վերջիններիս իրավասության սահմաններում գտնվող հարցերի վերաբերյալ. ✓ կազմակերպում է Մասնակիցների ընդհանուր ժողովի, Տնօրենների Խորհրդի կողմից ընդունված որոշումների կատարումը. ✓ իր իրավասության սահմաններում արձակում է հրամաններ, սահմանում է աշխատակիցների պարտականությունները, տալիս է կատարման համար պարտադիր ցուցումներ, և վերահսկում է դրանց կատարումը:

Կարեն Բաղդասարյան	Զարգացման գծով տնօրեն / Տնօրենների խորհրդի անդամ	<ul style="list-style-type: none"> ✓ մշակում, ներդնում է Ընկերության զարգացման ուղղված նոր նախագծեր. ✓ կատարում է Ընկերության զարգացմանն ուղղված ծրագրերի մշակում, նոր նախագծերի գործարկում. ✓ որոշում է ծրագրվող նախագծերի նպատակները, նախնական ժամկետները, անհրաժեշտ ռեսուրսների քանակը և արժեքը. ✓ համագործակցում և անհրաժեշտության դեպքում Ընկերության շայերը ներկայացնում է նոր կամ գործընկեր միազգային կառույցների հետ շփումներում. ✓ համակարգում է ընկերության ոչ արտադրական ստորաբաժանումների գործունեությունը. ✓ գլխավոր տնօրենի հրամանով նախատեսված դեպքերում համակարգում է ընկերության այլ ստորաբաժանումների գործունեությունը. ✓ գլխավոր տնօրենի հանձնարարությամբ համակարգում է ընկերության առանձին ծրագրերի իրագործումը:
Սամվել Ստեփանյան	Ֆինանսական տնօրեն	<ul style="list-style-type: none"> ✓ կազմակերպում է Ընկերության ֆինանսական ռեսուրսների կառավարումը և ֆինանսական հարաբերությունների կարգավորումը. ✓ կոորդինացնում Ընկերության ֆինանսատնտեսական վիճակը վերլուծող աշխատանքների իրականացումը. ✓ իրականացնում է Ընկերության ակտիվների, ֆինանսական ներդրումների ղեկավարումը:

Հովհաննես Հակոբյան	Գլխավոր հաշվապահ	<ul style="list-style-type: none"> ✓ կազմակերպում է հաշվապահական հաշվառման վարումը, ֆինանսական և հարկային հաշվետվությունների ժամանակին կազմումն ու ներկայացումը. ✓ պատասխանատու է հաշվապահական հաշվառման քաղաքականության կիրառման համար. ✓ սահմանում է Ընկերության գործունեության հետ կապված արտադրատնտեսական ֆինանսավորման աղբյուրները. ✓ հետևում է հաշվապահական փաստաթղթերի ճիշտ և ժամանակին կազմմանը, հաշվետվությունների և պարտավորությունների իրականացմանը:
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