POLISH SECURITY PRINTING WORKS ARMENIAN BRANCH

Financial Statements

For the year ended December 31, 2015

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Management is responsible for the preparation of the financial statements that present fairly the financial position of Polish Security Printing Works Armenian Branch (the "Branch") as of December 31, 2015, and the results of its operations, cash flows and changes in net assets for the year than ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Branch's financial position and financial performance;
- making an assessment of the Branch's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Branch;
- maintaining adequate accounting records that are sufficient to show and explain the Branch's transactions and disclose with reasonable accuracy at any time the financial position of the Branch, and which enable them to ensure that the financial statements of the Branch comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Armenia;
- taking such steps that are reasonably available to them to safeguard the assets of the Branch; and
- preventing and detecting fraud and other irregularities.

The financial statements of the Branch for the year ended December 31, 2015 were approved by management on February 17, 2016.

On behalf of the Management:

Główna Księgowa
Agnieszka Matejko

Adam Wilczewski
Director
Polish Security Printing Works Armenian Branch

Agnieszka Matejko
Chief Accountant
Polish Security Printing Works Armenian Branch

ARMENIAN BRANCH
02252007

Aram Sargsyan
Accountant
Grant Thornton Legal and Tax LLC authorized representative

February 17, 2016
Yerevan, Republic of Armenia

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To: Founder of Polish Security Printing Works Armenian Branch

We have audited the accompanying financial statements of Polish Security Printing Works Armenian Branch, which comprise the statement of financial position as at December 31, 2015, and the statement of profit or loss and other comprehensive income, statement of changes in net asset and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Polish Security Printing Works Armenian Branch as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Srbuhi Hakobyan
Executive Director

Deloitte Armenia CJSC
February 17, 2016

«ԴԵԼՈՅԹ ԱՐՄԵՆԻԱ» «DELOITTE ARMENIA» YEREVAN CLOSED JOINT-STOCK COMPANY REPUBLIC OF ARMENIA 02612726

Arpine Ghevondyan
Audit Director

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

(In thousands of Armenian Drams, unless otherwise stated)

	Note	December 31, 2015	December 31, 2014
Assets:			
Non-current assets			
Intangible assets	5	104,611	159,189
Property and equipment		8,904	-
Total non-current assets		**113,515**	**159,189**
Current assets			
Inventories	6	509,112	782,375
Trade receivables	7	597,631	835,358
Cash and cash equivalents	8	142,603	678,701
Total current assets		**1,249,346**	**2,296,434**
Total assets		**1,362,861**	**2,455,623**
Liabilities:			
Current liabilities			
Trade and other payables	9	32,521	14,221
Current tax liability		257,578	112,773
Total current liabilities and Total liabilities		**290,099**	**126,994**
Net assets attributable to the founder	10	**1,072,762**	**2,328,629**
Represented by:			
(Remittances to the Founder, net of contributions) / contributions from the Founder, net of remittances	17	(536,432)	1,912,198
Retained earnings		1,609,194	416,431
		1,072,762	**2,328,629**

Approved for issuance and signed on behalf of management on February 17, 2016

Główna Księgowa
Agnieszka Matejko

Adam Wilczewski
Director
Polish Security Printing Works Armenian Branch

Agnieszka Matejko
Chief Accountant
Polish Security Printing Works Armenian Branch

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Aram Sargsyan
Accountant
Grant Thornton Legal and Tax LLC authorized representative

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

(In thousands of Armenian Drams, unless otherwise stated)

	Note	2015	2014
Revenue	11	2,451,935	3,006,295
Cost of sales	12	(820,218)	(1,214,965)
Gross profit		**1,631,717**	**1,791,330**
Finance income		1,266	25,123
Overhead expenses allocated to the Branch by the Founder	17	(42,415)	(86,084)
Fees and penalties	13	(31,354)	-
Professional services fees		(13,125)	(6,333)
Other expenses	14	(4,557)	(13,322)
Net loss on foreign exchange operations		(8,754)	(1,286)
Profit before tax		**1,532,778**	**1,709,428**
Income tax expense	15	(340,015)	(246,283)
Profit and total comprehensive income for the year		**1,192,763**	**1,463,145**

Approved for issuance and signed on behalf of management on February 17, 2016.

Główna Księgowa
Agnieszka Matejko

Adam Wilczewski
Director
Polish Security Printing Works Armenian Branch

Agnieszka Matejko
Chief Accountant
Polish Security Printing Works Armenian Branch

Aram Sargsyan
Accountant
Grant Thornton Legal and Tax LLC authorized representative

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2015
(In thousands of Armenian Drams, unless otherwise stated)

	Net assets attributable to the Founder
Balance at January 1, 2014	**1,582,881**
Profit and total comprehensive income for the year	1,463,145
Contributions during the year from the Founder, note 17	1,215,787
Remittances during the year to the Founder, note 17	(1,933,184)
Balance at December 31, 2014	**2,328,629**
Profit and total comprehensive income for the year	1,192,763
Contributions during the year from the Founder, note 17	1,420,086
Remittances during the year to the Founder, note 17	(3,868,716)
Balance at December 31, 2015	**1,072,762**

Approved for issuance and signed on behalf of management on February 17, 2016.

Główna Księgowa
Agnieszka Matejko

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Adam Wilczewski
Director
Polish Security Printing Works Armenian Branch

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Aram Sargsyan
Accountant
Grant Thornton Legal and Tax LLC authorized representative

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

(In thousands of Armenian Drams, unless otherwise stated)

	Note	2015	2014
Cash flows from operating activities:			
Profit for the year		**1,192,763**	**1,463,145**
Adjustments for:			
Income tax expense recognized in profit or loss		340,015	246,283
Adjustments for cost of inventory received from the founder included in cost of sales		619,820	975,928
Adjustments for overhead expenses allocated to the branch by the founder		56,203	94,740
Depreciation and amortization		54,578	54,578
Written off passports and other inventory included in cost of sales		20,378	27,565
Net foreign exchange loss		8,754	1,286
Other expense		-	53
Movements in working capital:			
Decrease / (increase) in receivables		237,727	(559,598)
Increase / (decrease) in payables		18,889	(17,187)
Net cash from operating activities before income taxes paid		**2,549,127**	**2,286,793**
Current income tax paid		(195,210)	-
Net cash from operating activities		**2,353,917**	**2,286,793**
Cash flows from investing activities:			
Acquisition of property and equipment		(62)	-
Net cash used in investing activities		**(62)**	**-**
Cash flows from financing activities:			
Cash received from the founder		988,106	48,554
Remittances to the founder		(3,868,716)	(1,933,184)
Net cash used in financing activities		**(2,880,610)**	**(1,884,630)**
Net (decrease)/increase in cash and cash equivalents		**(526,755)**	**402,163**
Cash and cash equivalents at the beginning of the year		678,701	277,926
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(9,343)	(1,388)
Cash and cash equivalents at the end of the year	8	**142,603**	**678,701**

Approved for issuance and signed on behalf of management on February 17, 2016.

Adam Wilk

Adam Wilczewski
Director
Polish Security Printing Works Armenian Branch

Główna Księgowa
Agnieszka Matejko

Agnieszka Matejko
Chief Accountant
Polish Security Printing Works Armenian Branch

Aram Sargsyan
Accountant
Grant Thornton Legal and Tax LLC authorized representative

1. The Branch

The Polish Security Printing Works Armenian Branch (the "Branch") is not a legal entity.

The Branch was founded according to the decision made at the board meeting N267/11 held on 11th November 2011 by Polish Security Printing Works (PWPW S.A.) (hereinafter referred to as "Founder"), which is registered at the address 1 R. Sanguszki Street 00-222 Warsaw, Poland.

The Branch is entitled to all rights granted to foreign legal entities according to the governing laws and regulations of the Republic of Armenia, Founder's Charter and Branch's Charter. The Branch is deemed as a separate subdivision of the Founder and is authorized to perform all the functions of the Founder, including representative functions. Founder bears full responsibility for the liabilities of the Branch.

According to the agreement (Contract N ASDB-10/53) signed between the Founder, the Police of the Republic of Armenia and E-governance Infrastructure Implementation Office on 28th July 2011 (hereinafter referred to as "Agreement"), the Branch is committed to provide service which include provision of biometric passports and electronic personal ID cards with microprocessor connection as well as delivery of related hardware and software (the Project). According to the schedule of the contract the Branch is obliged to issue 304,000 biometric passports and 1,000,000 ID cards by 2017.

The legal address of the Branch is: 41 Arshakunyats street, Yerevan, Armenia.

2. Significant accounting policies

Statement of compliance: These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation: These financial statements have been prepared on the assumption that the Branch is a going concern and will continue operation for the foreseeable future.

These financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Functional currency: Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Branch is the Armenian Drams ("AMD"). The presentational currency of the financial statements of the Branch is the AMD. All amounts are rounded to the nearest thousand AMD ("AMD '000"), except when otherwise indicated.

Offsetting: Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Branch.

The principal accounting policies are set out below.

Revenue recognition: Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of Goods: Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

(in thousands of Armenian Drams, unless otherwise stated)

Foreign currencies: In preparing the financial statements of the Branch, transactions in currencies other than the Branch's functional currency ("foreign currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in the statement of profit or loss and other comprehensive income in the period in which they arise. The relevant exchange rates are as follows:

	Average Rate		Spot Rate	
	2015	2014	December 31, 2015	December 31, 2014
AMD/1 Euro	530.84	552.09	528.69	577.47

Taxation: Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax: The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Branch's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Branch expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year: Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred tax are also recognized in other comprehensive income.

Intangible assets: *Intangible assets acquired separately*: Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the useful economic lives of 5 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Derecognition of intangible assets: An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss when the asset is derecognized.

Impairment of intangible asset: At the end of each reporting period, the Branch reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Branch estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventory: Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions: Provisions are recognised when the Branch has a present obligation (legal or constructive) as a result of a past event, it is probable that the Branch will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Financial instruments:
Classification: Financial assets and financial liabilities are recognised when the Branch becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets: Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method: The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL: Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Branch manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Branch's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Held-to-maturity investments: Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Branch has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets: AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets: Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 affected.

For all other financial assets, objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Branch's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's 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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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 recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets: The Branch derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Branch neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Branch recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Branch retains substantially all the risks and rewards of ownership of a transferred financial asset, the Branch continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities: Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL: Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.
A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the branch manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Branch's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Other financial liabilities: Other financial liabilities (including trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities: The Branch derecognises financial liabilities when, and only when, the Branch's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Branch's accounting policies, which are described in note 2, the Management of the Branch are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the opinion of management, there are no critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the financial statements. In the opinion of management, key sources of estimation uncertainty relate to the estimates of recoverability of trade receivables presented in note 7.

4. Application of new and revised International Financial Reporting Standards (IFRSs)

Amendments to IFRSs affecting amounts reported in the financial statements

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements:

- Annual Improvements to IFRSs 2010-2012 Cycle;
- Annual Improvements to IFRSs 2011-2013 Cycle;

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 change the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to IFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a branch of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

There is no significant effect of these amendments on the financial statements.

The Branch did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

(in thousands of Armenian Drams, unless otherwise stated)

New and revised IFRSs in issue but not yet effective
The Branch has not applied the following new and revised IFRSs that have been issued but are not yet effective:

• Annual Improvements to IFRSs 2012-2014 Cycle; • Amendments to IAS 16 and IAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortisation*;	Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
• IFRS 15 Revenue from Contracts with Customers	Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
• IFRS 9 Financial Instruments	Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Annual Improvements to IFRSs 2012-2014 Cycle
The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal branch) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The management of the Branch does not anticipate that the application of these amendments will have a material effect on the financial statements.

IFRS 15 Revenue from Contracts with Customers
In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The management of the Branch anticipates that the application of IFRS 15 in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Branch uses straight-line method for depreciation and amortization of its property, plant and equipment and intangible assets, respectively. The management of the Branch believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly does not anticipate that the application of these amendments will have a material impact on the financial statements.

IFRS 9 Financial Instruments
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- **Impairment.** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

(in thousands of Armenian Drams, unless otherwise stated)

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Branch anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Branch's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

5. Intangible assets

	Licenses	Software	Total
Cost			
Balance at January 1, 2014	272,688	165	**272,853**
Additions	-	-	-
Balance at December 31, 2014	**272,688**	**165**	**272,853**
Additions	-	-	-
Balance at December 31, 2015	**272,688**	**165**	**272,853**
Accumulated amortization			
Balance as at January 1, 2014	59,083	3	**59,086**
Amortization charge	54,538	40	**54,578**
Balance at December 31, 2014	**113,621**	**43**	**113,664**
Amortization charge	54,538	40	**54,578**
Balance at December 31, 2015	**168,159**	**83**	**168,242**
Net book value at:			
December 31, 2015	**104,529**	**82**	**104,611**
December 31, 2014	**159,067**	**122**	**159,189**
January 1, 2014	**213,605**	**162**	**213,767**

Intangible assets include licenses necessary for operation of machinery and equipment, which are placed at the premises of the Police of the Republic of Armenia.

6. Inventories

	December 31, 2015	December 31, 2014
ID Cards	353,316	395,926
Biometric Passport	129,875	325,959
Kinegrams	13,448	47,042
Diplomatic Passports	12,473	13,448
Total	**509,112**	**782,375**

In accordance with the Agreement, all inventories on consignment are passed to the Police of the Republic of Armenia as custodian of the passports and ID cards in the territory of the Republic of Armenia.

7. Trade and other receivables

	December 31, 2015	December 31, 2014
Financial Receivables		
Trade receivables	586,051	810,887
Non-financial receivables		
Receivables from state budget	5,372	24,471
Prepayments	6,208	-
Total trade and other receivables	**597,631**	**835,358**

Trade receivables in the amount of AMD 586,051 thousand represent a receivable from the Police of the Republic of Armenia in respect of the sold passports and ID cards within the scope of the Agreement.

8. Cash and cash equivalents

	December 31, 2015	December 31, 2014
Current accounts	142,603	58,679
Deposit account	-	620,022

(in thousands of Armenian Drams, unless otherwise stated)

Total cash and bank balances	**142,603**	**678,701**

9. Trade and other payables

	December 31, 2015	December 31, 2014
Other financial liabilities:		
Payables for purchases	16,834	14,221
Non-Financial liabilities:		
Tax and other obligatory fees payables	15,687	-
Total trade and other liabilities	**32,521**	**14,221**

10. Net assets

The Branch, the whole amount of its assets and other recourses (including financial recourses) reflected on its balance sheet are assets and recourses of the Founder. The Branch has rights to full economical use, operational management, and disposal over all assets and recourse reflected on its balance.

Any assets of the Branch can be used by the Founder for temporary or permanent use free-of charge.

For movement of net assets during the year ended December 31, 2015, please see related parties note 17.

11. Revenue

	2015	2014
Revenue from sales of:		
Biometric passports	1,891,477	2,028,585
ID cards	463,558	832,335
Non-Biometric Passports	96,900	145,375
Total revenue	**2,451,935**	**3,006,295**

12. Cost of sales

	2015	2014
Inventory	625,991	975,928
Technical support and control	78,138	111,690
Amortization and depreciation	54,578	54,578
Written off passports and other inventory	20,378	27,565
Other	41,133	45,204
Total	**820,218**	**1,214,965**

Other expenses include allocations from the Founder in the amount of AMD 13,788 (2014: 8,656) thousand and ID cards related quarterly license fees in the amount of AMD 24,130 (2014: 36,000) thousand.

13. Fines and penalties

	2015	2014
Fines and penalties	30,778	-
Other	576	78
Total	**31,354**	**78**

Fines and penalties relate to fines and penalties charged to underaccrued current taxes in relation to prior periods.

14. Other expenses

	2015	2014
Bank commission and insurance expense	2,948	2,029
VAT receivable written off	-	4,750
Other expenses	1,609	6,543
Total	**4,557**	**13,322**

15. Income tax expense

The Branch measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Armenia, which may differ from IFRS.

(in thousands of Armenian Drams, unless otherwise stated)

The Branch is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2015 and 2014 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the Republic of Armenia on taxable profits (as defined) under tax law in that jurisdiction.

	2015	2014
Current tax expense	340,015	112,773
Deferred tax expense	-	133,510
Total income tax expense	**340,015**	**246,283**

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2015		2014	
Profit before taxation	1,532,778		1,709,428	
Tax at applicable tax rate of 20%	306,556	20.0%	341,886	20.0%
Non deductible expenses	9,635	0.6%	2,101	0.1%
Effect of deferred tax assets not recognised in previous periods, represented by unused tax losses and other assets	-	-	(97,704)	(5.7%)
Prior period underaccrued taxes	23,824	1.6%	-	-
Income tax expense	**340,015**	**22.2%**	**246,283**	**14.4%**

The following is the analysis of deferred tax assets/(liabilities) presented in the statement of financial position:

	December 31, 2015	Recognized in profit or loss	December 31, 2014	Recognized in profit or loss	December 31, 2013
Deferred income tax assets/(liabilities)					
Tax losses	-	-	-	(133,510)	133,510
Net deferred tax assets/ (liabilities)	**-**	**-**	**-**	**(133,510)**	**133,510**

16. Commitments and contingencies

Operating environment: Emerging markets such as Armenia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Armenia continue to change rapidly tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Armenia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis.

The possible effects of these factors on the Branch may include the inability to pay creditors when they become due, impaired reputation, difficulties in selling the goods, difficulties in obtaining funds, etc. All these problems may lead to the lessened liquidity of the Branch and, accordingly, to going concern problems. Also, there are still uncertainties about the economic situation of countries, collaborating with Armenia, due to the forecasted slowdown in the world economy, which may lead to the shortage of money transfers from abroad, as well as to the decline in the prices of mining products, upon which the economy of Armenia is significantly dependant. In times of more severe market stress the situation of Armenian economy and of the Branch may be exposed to deterioration. 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 Branch may be affected.

(in thousands of Armenian Drams, unless otherwise stated)

The financial statements of the Branch do not include the effects of adjustments, if any, which might have been considered necessary, had the effects of the factors described above become observable and reliably measurable in Armenia.

Legal proceedings: The Branch has not been subject of material legal proceeding as at December 31, 2015 (December 31, 2014 – none).

Taxes: The taxation system in Armenia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose severe fines and penalties.

These facts may create tax risks in Armenia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

17. Related parties

The Branch is a division of its Founder, the Polish Security Printing Works S.A.

Transactions with related parties: The key executives received AMD 3,213 thousand remuneration during the year (2014: Nil).

During the reporting year the Branch had the following transactions with its Founder:

	Related party transactions	
Transactions with the Founder	**2015**	**2014**
Beginning of year contributions from the Founder, net of remittances	1,912,198	2,629,595
Inventory received from the Founder	366,935	1,072,493
Property and equipment received from the Founder	8,842	-
Overhead expenses allocated to the Branch by the Founder, including AMD 13,788 thousand recognised in cost of sales (2014: AMD 8,656 thousand)	56,203	94,740
Cash transferred to the Branch by the Founder	988,106	48,554
Cash remitted from the Branch to the Founder	(3,868,716)	(1,933,184)
End of year (remittances to the Founder, net of contributions) / contributions from the Founder, net of remittances	**(536,432)**	**1,912,198**

18. Financial risk management

The Branch manages its expenditures and net assets to ensure that it will be able to continue as going concern while achieving its goals through the optimization of expenses which are being born during program implementation. The main risks inherent to the Branch's operations are those related to:

- Credit risk;
- Liquidity risk;
- Market risk.

The most material financial risks, which the Branch may face, are outlined below.

Credit risk – The Branch is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Branch is exposed to credit risk in relation to its bank balances held within cash and cash equivalents and trade receivables as at reporting date.

The following table presents the maximum exposure to credit risk of financial assets. For the financial assets in the statement of financial position, the maximum exposure is equal to the carrying amount of those assets prior to any offset.

(in thousands of Armenian Drams, unless otherwise stated)

	December 31, 2015		
	Republic of Armenia	OECD countries	Total
Non-derivative financial assets			
Cash and bank balances	142,603	-	142,603
Trade and other receivables	586,051	-	586,051
Total non-derivative financial assets	**728,654**	-	**728,654**

	December 31, 2014		
	Republic of Armenia	OECD countries	Total
Non-derivative financial assets			
Cash and bank balances	678,701	-	678,701
Trade and other receivables	810,887	-	810,887
Total non-derivative financial assets	**1,489,588**	-	**1,489,588**

Liquidity risk – Liquidity risk is the risk that the Branch will not be able to settle its liabilities when they are due. The following tables show the liquidity analysis of non-derivative financial liabilities at December 31, 2015 and December 31, 2014. For non-derivative financial liabilities, the cash flows represent undiscounted cash flows on the basis of their earliest possible contractual maturity. It is not expected that cash flows included in these tables could occur significantly earlier, or at significantly different amounts.

	December 31, 2015		
	Up to 1 month	1 month to 6 months	Total
Non-derivative financial assets			
Non-interest bearing financial assets			
Cash and bank balances	142,603	-	142,603
Trade and other receivables	-	586,051	586,051
Total non-interest bearing financial assets	**142,603**	**586,051**	**728,654**
Non-interest bearing financial liabilities			
Trade and other payable	16,834	-	16,834
Total non-interest bearing financial liabilities	**16,834**	-	**16,834**
Liquidity gap	125,769	586,051	711,820
Cumulative liquidity gap	**125,769**	**711,820**	**711,820**

	December 31, 2014		
	Up to 1 month	1 month to 6 months	Total
Non-derivative financial assets			
Non-interest bearing financial assets			
Cash and bank balances	678,701	-	**678,701**
Trade and other receivables	-	810,887	**810,887**
Total non-interest bearing financial assets	**678,701**	**810,887**	**1,489,588**
Non-interest bearing financial liabilities			
Trade and other payable	14,221	-	**14,221**
Total non-interest bearing financial liabilities	**14,221**	-	**14,221**
Liquidity gap	664,480	810,887	**1,475,367**
Cumulative liquidity gap	**664,480**	**1,475,367**	**1,475,367**

Market risk - Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Branch's financial performance or the value of its holdings of financial instruments.

Foreign currency risk: Foreign currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Branch's operations are carried out primarily in Armenia and, as such, a significant portion of the Branch's business is transacted in local currency – Armenian Drams.

(in thousands of Armenian Drams, unless otherwise stated)

The Branch's exposure to foreign currency exchange rate risk as at December 31, 2015 and December 31, 2014 is presented in the table below:

	December 31, 2015		
	AMD	EUR	Total
Financial assets			
Cash and bank balances	141,534	1,069	**142,603**
Trade receivables	586,051	-	**586,051**
Total financial assets	**727,585**	**1,069**	**728,654**
Financial liabilities			
Other financial liabilities	11,460	5,374	**16,834**
Total financial liabilities	**11,460**	**5,374**	**16,834**
Open balance sheet position	**716,125**	**(4,305)**	**711,820**

	December 31, 2014		
	AMD	EUR	Total
Financial assets			
Cash and bank balances	677,632	1,069	**678,701**
Trade receivables	810,887	-	**810,887**
Total financial assets	**1,488,519**	**1,069**	**1,489,588**
Financial liabilities			
Other financial liabilities	6,736	7,485	**14,221**
Total financial liabilities	**6,736**	**7,485**	**14,221**
Open balance sheet position	**1,481,783**	**(6,416)**	**1,475,367**

Currency risk sensitivity: The following table details the Branch's sensitivity to a 10% increase and decrease in the AMD against the EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and net assets where the AMD appreciates 10% against EUR, a negative number below indicates a decrease in profit and net assets where the AMD depreciates 10% against EUR.

	Impact on profit or loss	Impact on net assets
10% appreciation / (depreciation) of AMD against EUR		
As at December 31, 2015	431 / (431)	431 / (431)
As at December 31, 2014	642 / (642)	642 / (642)

Limitations of sensitivity analysis: The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

19. Fair value of financial instruments

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
The management considers that due to the short term nature of Branch's financial assets and financial liabilities, their carrying amounts recognized in the statement of financial position as at reporting date approximate their fair values.