POLISH SECURITY PRINTING WORKS ARMENIAN BRANCH

Financial Statements
For the years ended 31 December 2014

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 31 December 2014, 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 31 December 2014 were approved by management on 12 March 2015.

On behalf of the Management:

Główny Księgowy
Bogdan Gajos

Josef Ferber Director Polish Security Printing Works Armenian Branch	**Gajos Bogdan** Chief Accountant Polish Security Printing Works Armenian Branch

12 March 2015
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 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in net assets 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 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements of Polish Security Printing Works Armenian Branch for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 27 February 2014.

Srbuhi Hakobyan
Executive Director

Arpine Ghevondyan
Audit Director

Deloitte Armenia CJSC
12 March 2015

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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

in AMD '000	Notes	31 December 2014	31 December 2013
ASSETS:			
Non-current assets			
Intangible assets	5	159,189	213,767
Deferred income tax assets	14	-	133,510
Total non-current assets		**159,189**	**347,277**
Current assets			
Inventories	6	782,375	713,326
Trade receivables	7	835,358	275,760
Cash and cash equivalents	8	678,701	277,926
Total current assets		**2,296,434**	**1,267,012**
Total assets		**2,455,623**	**1,614,289**
Liabilities:			
Current liabilities			
Trade and other payables	9	14,221	31,408
Current tax liability		112,773	-
Total current liabilities and total liabilities		**126,994**	**31,408**
Net assets attributable to the founder	10	**2,328,629**	**1,582,881**
Represented by:			
Contributions from the Founder, net of remittances to the Founder	16	1,912,198	2,629,595
Retained earnings		416,431	(1,046,714)
		2,328,629	**1,582,881**

The financial statements were authorised for issue on 12 March 2015 by the Management:

Główny Księgowy
Bogdan Gajos

Josef Ferber
Director

Gajos Bogdan
Chief Accountant

The notes on pages 8-23 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

in AMD '000	Notes	2014	2013
Revenue	11	3,006,295	270,055
Cost of sales	12	(1,214,965)	(511,791)
Gross profit / (loss)		**1,791,330**	**(241,736)**
Finance income		25,123	983
Other income		-	49,179
Overhead expenses allocated to the Branch by the Founder	16	(86,084)	(64,345)
Professional service fees		(6,333)	(9,390)
Other expenses	13	(13,322)	(645,955)
Net gain/loss on foreign exchange operations		(1,286)	5,845
Profit / (loss) before tax		**1,709,428**	**(905,419)**
Income tax (expense)/benefit	14	(246,283)	78,646
Profit / (loss) and total comprehensive income / (loss) for the year		**1,463,145**	**(826,773)**

The financial statements were authorised for issue on 12 March 2015 by the Management:

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Główny Księgowy Bogdan Gajos

Josef Ferber
Director

Gajos Bogdan
Chief Accountant

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2014

in AMD '000	Net assets attributable to the Founder
Balance at 1 January 2013	**2,231,498**
Loss and total comprehensive loss for the year	(826,773)
Contributions from the Founder, note 16	178,156
Balance at 31 December 2013	**1,582,881**
Profit and total comprehensive income for the year	1,463,145
Contributions from the Founder, note 16	1,215,787
Remittances to the Founder	(1,933,184)
Balance at 31 December 2014	**2,328,629**

The financial statements were authorised for issue on 12 March 2015 by the Management:

Główny Księgowy
Bogdan Gajos

Josef Ferber
Director

Gajos Bogdan
Chief Accountant

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

in AMD '000	Note	2014	2013
Cash flows from operating activities			
Profit / (loss) for the year		**1,463,145**	**(826,773)**
Adjustments for:			
Income tax expense recognized in profit or loss		246,283	(78,646)
Adjustments for cost of inventory received from the Founder included in cost of sales	12	975,928	142,020
Adjustments for overhead expenses allocated to the Branch by the Founder		94,740	77,408
Depreciation and amortization		54,578	164,596
Adjustments for written off passports and other inventory included in cost of sales		27,565	10,962
Net foreign exchange (gain)/loss		1,286	(5,845)
Loss on disposal of property and equipment and associated VAT	13	-	624,621
Other expense adjustments		53	2,334
Movements in working capital:			
(Increase)/ decrease in receivables		(559,598)	123,956
(Decrease) / increase in payables		(17,187)	3,737
Net cash from operating activities		**2,286,793**	**238,370**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment		-	(39,990)
Net cash used in investing activities		**-**	**(39,990)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received from the Founder		48,554	56,983
Remittances to the Founder		(1,933,184)	-
Net cash (used in)/ from financing activities		**(1,884,630)**	**56,983**
Net increase in cash and cash equivalents		**402,163**	**255,363**
Cash and cash equivalents at the beginning of the year		277,926	21,004
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(1,388)	1,559
Cash and cash equivalents at the end of the year	8	**678,701**	**277,926**

The financial statements were authorised for issue on 12 March 2015 by the Management:

Główny Księgowy
Bogdan Gajos

Josef Ferber
Director

Gajos Bogdan
Chief Accountant

The notes on pages 8-23 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. 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.

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	
	2014	**2013**	**31 December 2014**	**31 December 2013**
AMD/1 Euro	552.09	544.06	577.47	559.54

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.

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:

- Amendments to IAS 32 - *Offsetting Financial Assets and Financial Liabilities*
- Amendments to IAS 36 - *Recoverable Amount Disclosures for Non-Financial Assets*
- IFRIC 21 *Levies*

Amendments to IAS 32 - Offsetting *Financial Assets and Financial Liabilities*
The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

There is no effect of these amendments on the financial statements as the Branch does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IAS 36 - *Recoverable Amount Disclosures for Non-Financial Assets*
The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or a cash-generating unit to periods in which an impairment loss has been recognized or reversed. In addition, they expand and clarify the disclosure requirements applicable to when recoverable amount of an asset or a cash-generating unit has been determined on the basis of fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. These amendments have no effect on the financial statements as the Branch does not have any financial instruments that qualify for required disclosures.

IFRIC 21 *Levies*
The interpretation is applicable to all payments imposed by governments under legislation, other than income taxes that are within the scope of IAS 12 and fines and penalties for breaches of legislation. The interpretation clarifies that a liability to pay a levy should only be recognised when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognized progressively over specific period or in full at a specific date. There was no effect of the interpretation on these financial statements except for the change in Branch's policy.

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

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:

Standard	Effective date
• Annual Improvements to IFRSs 2010-2012 Cycle • Annual Improvements to IFRSs 2011-2013 Cycle	Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
• 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.

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
- Recognize 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 on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

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.

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. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

The key requirements of IFRS 9 are:
- **Classification and measurement of financial assets**. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the 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 amortized cost after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. 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 recognized in profit or loss.
- **Classification and measurement of financial liabilities.** Financial liabilities are classified in a similar manner to under IAS 39; however there are differences in the requirements applying to the measurement of an entity's own credit risk. 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 OCI 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.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, 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 a credit loss is recognized.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. 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 principal 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.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

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.

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 does not anticipate that the application of these amendments will have a material impact on the Branch’s financial statements.

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. These amendments are considered to be effective immediately.

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.

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

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 group 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.

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

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 clarify that reclassification of an asset or a disposal group from held for sale to held to distribution to owners or vice versa should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied. In addition, amendments clarify that assets that no longer meet the criteria for held for distribution to owners and do not meet the criteria for held for sale should be treated in the same way as assets that cease to be classified as held for sale. The amendments should be applied prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. In addition, amendments to IFRS 7 were made to clarify that the disclosure requirements on offsetting financial assets and financial liabilities are not explicitly required to be included in the condensed interim financial statements for all interim periods, however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34. The amendments should be applied retrospectively.

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are fist applied.

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 significant effect on the financial statements.

5. Intangible assets

in AMD '000	Licenses	Software	Total
Cost			
Balance at 1 January 2013	272,688	-	**272,688**
Additions	-	165	**165**
Balance at 31 December 2013	**272,688**	**165**	**272,853**
Additions	-	-	**-**
Balance at 31 December 2014	**272,688**	**165**	**272,853**
Accumulated amortization			
Balance as at 1 January 2013	4,545	-	**4,545**
Amortization charge	54,538	3	**54,541**
Balance at 31 December 2013	**59,083**	**3**	**59,086**
Amortization charge	54,538	40	**54,578**
Balance at 31 December 2014	**113,621**	**43**	**113,664**
Net book value at:			
31 December 2014	**159,067**	**122**	**159,189**
31 December 2013	**213,605**	**162**	**213,767**
1 January 2013	**268,143**	**-**	**268,143**

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

in AMD '000	31 December 2014	31 December 2013
ID Cards	395,926	344,035
Biometric Passport	325,959	324,107
Kinegrams	47,042	31,736
Diplomatic Passports	13,448	13,448
Total	**782,375**	**713,326**

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

in AMD '000	31 December 2014	31 December 2013
Financial receivables		
Trade receivables	810,887	118,549
Non-financial receivables		
Receivables from state budget	24,471	151,029
Prepayments	-	6,182
Total trade and other receivables	**835,358**	**275,760**

Trade receivables in the amount of AMD 810,887 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

in AMD ’000	31 December 2014	31 December 2013
Current accounts	58,679	97,245
Deposit account	620,022	180,681
Total cash and bank balances	**678,701**	**277,926**

Deposit account is held with one financial institution, which is part of an internationally recognised financial institution group. Deposit account balance includes accrued interest as at 31 December 2014 of AMD 20,022 thousand. Funds held in deposit account are receivable in demand upon request. In the event of withdrawing funds prior to contractual maturity interest accrued may not be receivable, full or in part, by the Branch. Management considers funds available upon request and classifies the deposits as cash and bank balances and has recognised the interest accrued as at the year end as expects funds to be held by contractual maturity dates.

9. Trade and other payables

in AMD ’000	31 December 2014	31 December 2013
Payables for purchases	14,221	31,408
Total trade and other payables	**14,221**	**31,408**

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 31 December 2014, please see related parties note 16.

11. Revenue

in AMD ’000	2014	2013
Revenue from sales of:		
Biometric passports	2,028,585	60,952
ID cards	832,335	159,817
Non-Biometric Passports	145,375	49,286
Total revenue	**3,006,295**	**270,055**

12. Cost of sales

in AMD ’000	2014	2013
Inventory	975,928	142,020
Technical support and control	111,690	194,213
Amortization and depreciation	54,578	164,596
Written off passports and other inventory	27,565	10,962
Other	45,204	-
Total	**1,214,965**	**511,791**

Other expenses include allocations from the Founder in the amount of AMD 8,656 thousand and ID cards related quarterly license fees in the amount of AMD 36,000 thousand.

13. Other expenses

in AMD '000	2014	2013
VAT receivable written off	4,750	124,050
Bank commission and insurance expense	2,029	430
Loss on disposal of property and equipment	-	500,571
Property and equipment maintenance expenses	-	19,798
Other expense	6,543	1,106
Total	**13,322**	**645,955**

Loss on disposal of property and equipment in the amount of AMD 500,571 thousand and the associated VAT receivable written off in the amount of AMD 124,050 thousand relate to the Branch's disposal of machinery and equipment to the Police of the Republic of Armenia that were originally acquired for the realization of the Program.

14. Income tax expenses

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.

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 31 December 2014 and 2013 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.

in AMD '000	2014	2013
Current tax expense	112,773	-
Deferred tax expense/ (benefit)	133,510	(78,646)
Total income tax expense/ (benefit)	**246,283**	**(78,646)**

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

	2014		**2013**	
	in AMD '000	**%**	**in AMD '000**	**%**
Profit/ (loss) before taxation	**1,709,428**		**(905,419)**	
Tax/ (benefit) at effective tax rate	341,886	20.0%	(181,084)	20.00%
Non deductible expenses	2,101	0.1%	4,734	(0.50%)
Effect of deferred tax assets not recognised in previous periods, represented by unused tax losses and other assets	(97,704)	(5.7%)	97,704	(10.80%)
Income tax expense	**246,283**	**14.4%**	**(78,646)**	**8.70%**

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

in AMD '000	31 December 2014	Recognized in profit or loss	31 December 2013	Recognized in profit or loss	31 December 2012
Deferred income tax assets/(liabilities)					
Tax losses	-	(133,510)	133,510	78,646	54,864
Net deferred tax assets / (liabilities)	**-**	**(133,510)**	**133,510**	**78,646**	**54,864**

15. 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.

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 31 December 2014 (31 December 2013 – 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.

16. Related parties

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

Transactions with related parties: The key executives did not receive any remuneration during the year (2013: 0).

During the reporting year the Branch had the following transactions with its related parties:

in AMD ’000	**Related party transactions**	
Transactions with the Founder	**2014**	**2013**
Inventory received from the Founder	1,072,493	43,765
Overhead expenses allocated to the Branch by the Founder including AMD 8,656 thousand recognised in cost of sales	94,740	77,408
Cash transferred to the Branch by the Founder	48,554	56,983
Cash remitted from the Branch to the Founder	(1,933,184)	-

17. 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 AMD '000		31 December 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**

in AMD '000		31 December 2013	
	Republic of Armenia	OECD countries	Total
Non-derivative financial assets			
Cash and bank balances	277,926	-	277,926
Trade and other receivables	118,549	-	118,549
Total non-derivative financial assets	**396,475**	**-**	**396,475**

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 31 December 2014 and 31 December 2013. 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.

in AMD '000		31 December 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**

in AMD '000		31 December 2013	
	Up to 1 month	1 month to 6 months	Total
Non-derivative financial assets			
Non-interest bearing financial assets			
Cash and bank balances	277,926	-	277,926
Trade and other receivables	118,549	-	118,549
Total non-interest bearing financial assets	**396,475**	**-**	**396,475**
Non-interest bearing financial liabilities			
Trade and other payable	31,408	-	31,408
Total non-interest bearing financial liabilities	**31,408**	**-**	**31,408**
Liquidity gap	365,067	-	365,067
Cumulative liquidity gap	**365,067**	**-**	**365,067**

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.

The Branch's exposure to foreign currency exchange rate risk as at 31 December 2014 and 31 December 2013 is presented in the table below:

in AMD '000		31 December 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**

in AMD '000		31 December 2013	
	AMD	EUR	Total
Financial assets			
Cash and bank balances	256,018	21,908	**277,926**
Trade receivables	118,549	-	**118,549**
Total financial assets	**374,567**	**21,908**	**396,475**
Financial liabilities			
Other financial liabilities	620	30,788	**31,408**
Total financial liabilities	**620**	**30,788**	**31,408**
Open balance sheet position	**373,947**	**(8,880)**	**365,067**

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.

in AMD '000	Impact on profit or loss	Impact on net assets
10% appreciation of AMD against EUR		
As at 31 December 2014	642	642
As at 31 December 2013	888	888

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.

18. 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 the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.