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Financial Statements and Independent Auditor's Report

“Ayb” Educational Foundation

December 31, 2015

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Independent auditor's report

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To the Board of Trustees of "Ayb" Educational Foundation

We have audited the accompanying financial statements of "Ayb" Educational Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2015, 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.

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

Basis for Qualified Opinion

As described in note 4, property and equipment include property and equipment under construction at the amount of drams 1,645,969 thousand as of December 31, 2015 (December 31, 2014: drams 1,293,282 thousand), which represents the cost of construction of real estate paid by the Foundation. Property is legally owned and factually used by a third party. The Foundation has recognized the above real estate as an asset in its financial statements, which contradicts the requirements of IAS 16 *Property, plant and equipment.*

As a result of the above matter, balances of property and equipment and grants related to assets are overstated at the amount of drams 1,645,969 thousand as of December 31, 2015 (December 31, 2014: drams 1,293,282 thousand).

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements give a true and fair view of the financial position of "Ayb" Educational Foundation as of December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements for the year ended December 31, 2014 were audited by another auditor. The latter expressed qualified opinion on those financial statements on December 25, 2015.

August 31, 2016

Gagik Gyulbudaghyan

Managing Partner

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Lilit Arabajyan, FCCA

Engagement Partner

Statement of financial position

In thousand drams	Note	As of December 31, 2015	As of December 31, 2014 (restated)	As of January 1, 2014
Assets				
Non-current assets				
Property and equipment	4	1,897,583	1,504,735	1,477,101
Intangible assets	5	6,025	4,250	51,397
Deferred income tax assets	6	25,110	18,078	2,991
Borrowings provided	7	24,735	24,735	-
Prepayments for acquisition of non-current assets		5,017	76,238	77,340
		1,958,470	1,628,036	1,608,829
Current assets				
Inventories	8	74,426	10,276	8,386
Trade and other receivables	9	287,950	108,806	21,565
Term deposits	10	121,547	-	-
Borrowings provided	7	4,996	10,008	23,946
Current income tax assets		3,351	-	197
Cash and bank balances	11	344,682	104,955	63,882
		836,952	234,045	117,976
Total assets		2,795,422	1,862,081	1,726,805

Statement of financial position (continued)

In thousand drams	Note	As of December 31, 2015	As of December 31, 2014 (restated)	As of January 1, 2014
Net assets				
Accumulated profit		12,686	33,478	10,527
		12,686	33,478	10,527
Non-current liabilities				
Borrowings received	12	5,239	3,892	-
Grants related to assets	13	1,790,806	1,579,657	1,404,714
		1,796,045	1,583,549	1,404,714
Current liabilities				
Borrowings received	12	31,621	28,087	67,002
Trade and other payables	14	217,850	124,480	142,987
Grants related to income	15	737,220	88,396	99,470
Current income tax liabilities		-	4,091	2,105
		986,691	245,054	311,564
Total equity and liabilities		2,795,422	1,862,081	1,726,805

The financial statements were approved on August 31, 2016 by:

Davit Sahakyan
Chief Executive Officer

Grigor Gabrielyan
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 30.

Statement of profit or loss and other comprehensive income

In thousand drams	Note	Year ended December 31, 2015	Year ended December 31, 2014 (restated)
Income from grants and donations	16	857,455	521,120
Revenue from rendering of services		96,099	147,078
Other income		2,440	3,242
		955,994	671,440
Grants and donations provided	17	(212,334)	(202,744)
Employee remuneration		(338,397)	(185,170)
Cost of materials used		(226,295)	(79,628)
Administrative and general expenses	18	(85,551)	(61,002)
Support services	19	(56,777)	(19,247)
Depreciation and amortization		(57,444)	(44,164)
Other operating expenses	20	(12,095)	(55,554)
Profit/(loss) from operating activities		(32,899)	23,931
Finance income		3,968	1,269
Finance costs		(1,603)	(5,538)
Gain/(loss) from foreign currency exchange, net	21	3,344	(1,956)
Profit/(loss) before income tax		(27,190)	17,706
Income tax recovery	22	6,398	5,245
Profit/(loss) for the year		(20,792)	22,951
Other comprehensive income		-	-
Total comprehensive income for the year		(20,792)	22,951

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 30.

Statement of changes in net assets

In thousand drams	Accumulated profit
as of January 1, 2014	10,527
Profit for the year	22,951
Total comprehensive income for the year	22,951
as of December 31, 2014	33,478
Loss for the year	(20,792)
Total comprehensive income for the year	(20,792)
as of December 31, 2015	12,686

The statement of changes in net assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 30.

Statement of cash flows

In thousand drams	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows from operating activities		
Cash received from customers	95,933	176,295
Grants and donations received	1,721,315	711,506
Other proceeds	-	44
Payments to suppliers for goods and services	(995,663)	(557,752)
Payments to employees	(239,938)	(134,456)
Payments to the budget	(189,277)	(72,421)
Other payments	(2,595)	(2,616)
Cash generated from operations	389,775	120,600
Cash flows from investing activities		
Prepayments made	(6,377)	(7,519)
Acquisition of property and equipment and intangible assets	(31,708)	(20,488)
Provision of borrowings and deposits made	(118,288)	(10,524)
Interest income received	832	1,123
Net cash used in investing activities	(155,541)	(37,408)
Cash flows from financing activities		
Proceeds from loans and borrowings	2,969	3,757
Repayment of loans and borrowings	(172)	(50,761)
Net cash from/(used in) financing activities	2,797	(47,004)
Net increase in cash and bank balances	237,031	36,188
Foreign exchange effect on cash	2,696	4,885
Cash and bank balances at the beginning of the year	104,955	63,882
Cash and bank balances at the end of the year	344,682	104,955

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 30.

Notes to the financial statements

1 Nature of operations and general information

"Ayb" Educational Foundation (the "Foundation") was established on December 4, 2006, in accordance with the laws of the Republic of Armenia. The main purpose of the Foundation is to establish a high qaulity, universal, exemplary system of education in Armenia, promote the development and improvement of the learning environment in Armenia, support students and youth in education-related issues and their career development, assist employees of education-related organizations and protect their interests.

The Foundation is a non-membership, non-profit organization, which is established based on voluntary contributions of property on behalf of citizens and legal persons, which unites abilities of people, who realize the importance of education in lives of each individual and have the will to create a qualified and a comprehensive education environment.

The founders of the Foundation are:

- Ashot Aslanyan,
- Davit Pakhchanyan,
- Aram Pakhchanyan,
- Karo Sargsyan,
- Karen Musaelyan,
- Davit Yan,
- Matevos Aramyan,
- Ogtagon LLC.

The Board of Trustees of the Foundation consists of six members:

- Davit Pakhchanyan,
- Aram Pakhchanyan,
- Ashot Mkrtchyan,
- Areg Zakoyan,
- Karo Sargsyan,
- Sargis Badalyan.

The average number of employees of the Foundation during 2015 was 74 employees (2014: 40 employees).

The legal address and the principal place of activities of the Foundation is 19a Koryun street, Yerevan, Republic of Armenia.

2 Basis of preparation

2.1 Statement of compliance

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

Currently, IFRS do not contain specific guidance for non-profit organizations and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where IFRS do not give guidance on how to treat transactions specific to not for profit sector, accounting policies have been based on the general principles of IFRS, as detailed in the International Accounting Standards Board ("IASB") *The Conceptual Framework for Financial Reporting.*

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of certain financial instruments that are stated at present discounted value of future cash flows.

2.3 Functional and presentation currency

The national currency of Armenia is the Armenian dram ("dram"), which is the Foundation's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Foundation.

These financial statements are presented in Armenian drams (unless otherwise stated), since management believes that this currency is more useful for the users of these financial statements. All financial information presented in Armenian drams has been rounded to the nearest thousand.

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 23 to the financial statements.

2.5 Restatement of financial statements

The financial statements including the comparative information for prior periods are presented as if the correction had been made in the period in which such a necessity arose. Therefore, the amount of the correction that relates to each period presented is included in the financial statements of that period. The amount of the correction in the comparative financial statements of prior periods is made in the earliest period presented.

2.6 Adoption of new and revised standards

In the current year the Foundation has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2015.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments are applied for the first time in 2015, they did not have a material impact on the annual financial statements of the Foundation.

New and revised standards and interpretations that are effective for annual periods beginning on or after January 1, 2015

Annual Improvements 2010-2012

The Annual Improvements 2010-2012 made several minor amendments to a number of IFRSs. The amendments relevant to the Foundation are summarized below:

IFRS 13 *Fair Value Measurement*

Short-term receivables and payables:

- amends the Basis for Conclusions to clarify that an entity is not required to discount short-term receivables and payables without a stated interest rate below their invoice amount when the effect of discounting is immaterial.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Foundation

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Foundation.

Management anticipates that all of the relevant pronouncements will be adopted in the Foundation's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Foundation's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Foundation's financial statements.

IFRS 9 *Financial Instruments* (2014)

The IASB released IFRS 9 *Financial Instruments* (2014), representing the completion of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement.* The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Foundation's management have yet to assess the impact of this new standard on the Foundation's financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Foundation's management have not yet assessed the impact of IFRS 15 on these financial statements.

IFRS 16 *Leases*

IFRS 16 presents new requirements and amendments to the accounting of leases. IFRS 16 will require lessees to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability.

IFRS 16 also:

- changes the definition of a lease;
- sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods;
- provides exemptions for short-term leases and leases of low value assets;
- changes the accounting for sale and leaseback arrangements;
- largely retains IAS 17's approach to lessor accounting;
- introduces new disclosure requirements.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted provided IFRS 15 *Revenue from Contracts with Customers* is also applied. The Foundation's management have not yet assessed the impact of IFRS 16 on these financial statements.

3 Significant accounting policies

3.1 Foreign currencies

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date, which is 483.75 drams for 1 US dollar, 528.69 drams for 1 euro and 717.69 drams for 1 pound sterling as of December 31, 2015 (December 31, 2014: 474.97 drams for 1 US dollar, 577.47 drams for 1 euro, 737.68 drams for 1 pound sterling). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date).

Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period.

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Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period.

3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Expenditure to replace a component of an item of property and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in profit or loss as incurred.

Depreciation is charged to profit or loss on a straight line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Equipment and computers	-	5-10 years
Vehicles	-	5-10 years
Fixtures and fittings	-	1-5 years
Other	-	1-10 years.

3.3 Intangible assets

Intangible assets, which are acquired by the Foundation and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to profit or loss on a straight line basis over the estimated useful lives of the intangible assets, which is estimated at 2-5 years for licenses and certificates and 10 years for computer software.

3.4 Leased assets

Payments on operating lease agreements are recognized as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.6 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Foundation becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets other than hedging instruments are divided into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss
- available-for-sale financial assets
- held-to-maturity investments.

Financial assets are assigned to different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses are recognized in profit or loss or in other comprehensive income. Refer to note 24.2 for a summary of the Foundation's financial assets by category.

Generally, the Foundation recognizes all financial assets using settlement date accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include trade and other receivables as well as cash and bank balances.

Trade and other receivables

Current accounts receivable are initially recognized at fair value. Subsequently they are measured at amortized cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default and delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The balance of the allowance is adjusted by recording a charge or income to profit or loss of the reporting period. Any amount written-off with respect to customer account balances is charged against the existing allowance for doubtful accounts. All accounts receivable for which collection is not considered probable are written-off.

1. Cash and bank balances

The Foundation's cash and bank balances comprise cash in hand, bank accounts and cash in transit.

ii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity and include deposits at commercial banks. Investments are classified as held-to-maturity if it is the intention of the Foundation's management to hold them until maturity.

Deposits are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the deposit has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the deposit are recognized in profit or loss.

Classification and subsequent measurement of financial liabilities

The Foundation's financial liabilities include loans and borrowings and trade and other payables. A summary of the Foundation's financial liabilities by category is given in note 24.2.

i. Loans and borrowings

Loans and borrowings are recognized initially at fair value, net of issuance costs associated with the borrowing. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value recognized in profit or loss over the period of the borrowings on an effective interest basis. Interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance expenses, except for the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalized as part of that asset.

ii. Trade and other payables

Trade and other payables are stated at fair value and subsequently stated at amortized cost.

3.7 Impairment

Impairment of property and equipment and intangible assets

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

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

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

Impairment of financial assets

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

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

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

3.8 Grants

Grants are not recognized until there is reasonable assurance that the Foundation will comply with the conditions attaching to them and the grants will be received.

Grants with a primary condition to purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other grants are recognized as income over the periods necessary to match them with the cost for which they are intended to compensate, on a systematic basis. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Foundation with no future related costs are recognized in profit or loss in the period in which they become receivable.

3.9 Provisions

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

3.10 Income tax

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

Deferred tax is 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 goodwill or from the initial recognition (other than in a business combination) of other 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 assets and liabilities 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 Foundation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and rebates allowed by the Foundation.

The Foundation's revenue generates from donations received, income from grants and from organization of various training programs.

Rendering of services

Revenue from a contract to provide services is recognized when:

- the amount of revenue may be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Foundation;
- the stage of completion of the transaction at the reporting date may be reliably measured; and
- the costs incurred for the transaction and the costs to complete the transaction may be reliably measured.

4 Property and equipment

In thousand drams	Equipment, computers	Vehicles	Fixtures and fittings	Other	Property and equipment under construction	Total
Cost						
as of January 1, 2014	108,617	24,334	89,003	48,257	1,269,971	1,540,182
Additions	16,787	19,256	10,778	613	23,311	70,745
as of December 31, 2014	125,404	43,590	99,781	48,870	1,293,282	1,610,927
Additions	54,794	8,890	2,181	29,943	367,928	463,736
Disposals	(681)	-	(1,625)	(153)	(15,241)	(17,700)
Internal movement	(71)	-	60	11	-	-
as of December 31, 2015	179,446	52,480	100,397	78,671	1,645,969	2,056,963
Accumulated depreciation						
as of January 1, 2014	32,051	2,519	17,193	11,318	-	63,081
Charge for the year	19,424	3,121	12,974	7,592	-	43,111
as of December 31, 2014	51,475	5,640	30,167	18,910	-	106,192
Charge for the year	23,987	5,626	13,327	11,478	-	54,418
Eliminated on disposal	(345)	-	(808)	(77)	-	(1,230)
as of December 31, 2015	75,117	11,266	42,686	30,311	-	159,380
Carrying amount						
as of December 31, 2014	73,929	37,950	69,614	29,960	1,293,282	1,504,735
as of December 31, 2015	104,329	41,214	57,711	48,360	1,645,969	1,897,583

Property and equipment under construction at the amount of drams 1,645,969 thousand as of December 31, 2015 (December 31, 2014: drams 1,293,282 thousand) represent the cost of construction of real estate paid by the Foundation. Property and equipment under construction at the amount of drams 1,645,969 thousand as of December 31, 2015 (December 31, 2014: drams 1,293,282 thousand) represent the cost of construction of real estate paid by the Foundation, which has to be invested as a deposit to implement "Ayb educational hub" project in accordance with the RA Government decree dated 2010. According to the related certificate of ownership the real estate belongs to another company.

Cost of fully depreciated property and equipment is drams 8,070 thousand as of December 31, 2015 (December 31, 2014: drams 6,773 thousand).

5 Intangible assets

In thousand drams	Computer software	Licenses, certificates and other	Intangible assets under development	Total
Cost				
as of January 1, 2014	2,500	251	48,372	51,123
Additions	2,269	26	-	2,295
as of December 31, 2014	4,769	277	48,372	53,418
Additions	-	2,460	-	2,460
as of December 31, 2015	4,769	2,737	48,372	55,878
Accumulated amortization				
as of January 1, 2014	215	12	-	227
Charge for the year	541	28	-	569
Impairment	-	-	48,372	48,372
as of December 31, 2014	756	40	48,372	49,168
Charge for the year	573	112	-	685
as of December 31, 2015	1,329	152	48,372	49,853
Carrying amount				
as of December 31, 2014	4,013	237	-	4,250
as of December 31, 2015	3,440	2,585	-	6,025

6 Deferred income tax assets

The movement of deferred income taxes is disclosed below:

In thousand drams	2015	2014 (restated)
Balance at the beginning of year	18,078	2,991
Credited to profit or loss	7,032	15,087
Balance at the end of year	25,110	18,078

Deferred income taxes for the year ended December 31, 2015 can be summarized as follows:

In thousand drams	January 1, 2015	Recognized in profit or loss	December 31, 2015
Deferred income tax assets			
Intangible assets	9,674	-	9,674
Trade and other receivables	176	-	176
Grants related to assets	4,134	4,026	8,160
Trade and other payables	4,094	3,006	7,100
	18,078	7,032	25,110
Net position – deferred income tax assets	18,078	7,032	25,110

Deferred income taxes for the year ended December 31, 2014 can be summarized as follows:

In thousand drams	January 1, 2014	Recognized in profit or loss	December 31, 2014
Deferred income tax assets			
Intangible assets	-	9,674	9,674
Trade and other receivables	-	176	176
Grants related to assets	-	4,134	4,134
Trade and other payables	2,991	1,103	4,094
	2,991	15,087	18,078
Net position – deferred income tax assets	2,991	15,087	18,078

Analyzed as:

	2015	2014
To be recovered after more than 12 months	8,092	4,718
To be recovered within 12 months	17,018	13,360

7 Borrowings provided

In thousand drams	Current		Non-current	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
Borrowings to related parties	-	-	24,735	24,735
Borrowings to employees	4,996	10,008	-	-
	4,996	10,008	24,735	24,735

8 Inventories

In thousand drams	As of December 31, 2015	As of December 31, 2014
Materials	18,850	3,570
Construction materials	49,709	-
Fuel	484	735
Other	5,383	5,971
	74,426	10,276

The cost of inventories recognized as an expense during the year is drams 190,924 thousand (2014: drams 39,608 thousand).

Refer to note 24 for the currencies in which the cash and bank balances are denominated.

12 Borrowings received

In thousand drams

	Current		Non-current	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
Borrowings received from related parties	31,621	28,087	1,907	1,886
Borrowings received from benefactors	-	-	3,332	2,006
	31,621	28,087	5,239	3,892

Borrowings at the amount of drams 30,042 thousand bear interest rate of 7.5% annually. It was swapped to interest free starting from November, 2015 in accordance with the agreement.

13 Grants related to assets

In thousand drams

	2015	2014 (restated)
Balance at the beginning of year	1,579,657	1,404,714
Received during the year	267,267	266,586
Credited in profit or loss	(56,118)	(91,643)
Balance at the end of year	1,790,806	1,579,657

14 Trade and other payables

In thousand drams

	As of December 31, 2015	As of December 31, 2014
Trade payables	43,697	14,688
Advances received	46,354	29,876
Taxes and duties payable	30,067	36,443
Payables to employees	35,695	20,470
Grants payable	60,347	22,509
Other	1,690	494
	217,850	124,480

The average credit period on purchase of certain goods is 16 days (2014: 25 days). No interest is charged on the trade payables. The Foundation has financial risk management policies to ensure that all payables are paid within the credit timeframe.

Refer to note 24 for more information about the Foundation's exposure to foreign currency risk.

15 Grants related to income

In thousand drams

	2015	2014 (restated)
Balance at the beginning of year	88,396	99,470
Received during the year	1,066,887	428,979
Credited to profit or loss	(418,063)	(440,053)
Balance at the end of year	737,220	88,396

16 Income from grants and donations

In thousand drams	Year ended December 31, 2015	Year ended December 31, 2014
Income from implementation of national program of education and science	383,276	111,641
Income from reimbursement of construction works	6,623	-
Other grants and donations	467,556	409,479
	857,455	521,120

17 Grants and donations provided

In thousand drams	Year ended December 31, 2015	Year ended December 31, 2014
Cost of construction works implemented	6,623	-
Grants provided	205,711	202,744
	212,334	202,744

Cost of implemented construction works represents construction of school buildings, church and other construction works.

18 Administrative and general expenses

In thousand drams	Year ended December 31, 2015	Year ended December 31, 2014
Rental expenses	48,433	19,131
Office and utility expenses	13,065	13,284
Audit and consulting expenses	10,201	7,472
Travel and hospitality costs	10,600	17,753
Other	3,252	3,362
	85,551	61,002

19 Support services

In thousand drams	Year ended December 31, 2015	Year ended December 31, 2014
Travel and hospitality costs	26,404	2,798
Transportation expenses	3,481	3,050
Other	26,892	13,399
	56,777	19,247

20 Other operating expenses

In thousand drams	Year ended December 31, 2015	Year ended December 31, 2014
Foreign currency translation expenses	1,629	1,963
Impairment of intangible assets	-	48,372
Non-refundable taxes and duties	1,777	198
Other	8,689	5,021
	12,095	55,554

21 Gain/(loss) from foreign currency exchange, net

In thousand drams	Year ended December 31, 2015	Year ended December 31, 2014
Loans and receivables	3,158	5,562
Financial liabilities measured at amortized cost	186	(7,518)
	3,344	(1,956)

22 Income tax recovery

In thousand drams	Year ended December 31, 2015	Year ended December 31, 2014 (restated)
Current tax	-	(9,842)
Adjustments recognized in the current year in relation to the current tax of the prior years	(634)	-
Deferred tax	7,032	15,087
	6,398	5,245

Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended December 31, 2015	Effective tax rate (%)	Year ended December 31, 2014	Effective tax rate (%)
Profit/(loss) before taxation (under IFRS)	(27,190)		17,706	
Tax calculated at a tax rate of 20% (2014: 20%)	(5,438)	20	3,541	20
(Non-taxable)/non-deductible items, net	(966)	3.5	(8,786)	(49.6)
Income tax recovery	(6,398)	23.5	(5,245)	(29.6)

23 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

23.1 Critical accounting estimates

The Foundation makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property and equipment

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

24 Financial instruments

24.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 3.7.

24.2 Categories of financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

Financial assets

In thousand drams	As of December 31, 2015	As of December 31, 2014
Held-to-maturity investments:		
Term deposits	121,547	-
Loans and receivables:		
Borrowings provided	29,731	34,743
Trade and other receivables	109,173	12,970
Cash and bank balances	344,682	104,955
	605,133	152,668

Financial liabilities

In thousand drams	As of December 31, 2015	As of December 31, 2014
Financial liabilities measured at amortized cost:		
Trade and other payables	140,232	58,161
Borrowings received	36,860	31,979
	177,092	90,140

25 Financial risk management

The Foundation is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

Financial risk factors

a) Market risk

The Foundation is exposed to market risk through its use of financial instruments and specifically to currency risk, which results from its operating activity.

Foreign currency risk

The Foundation undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Most of the Foundation's transactions are carried out in Armenian drams. Exposures to currency exchange rates arise from overseas donations in foreign currency received by the Foundation.

Foreign currency denominated financial assets and liabilities which expose the Foundation to currency risk are disclosed below. The amounts shown are those reported to key management translated into Armenian drams at the closing rate:

Item As of December 31, 2015	US dollar	Other
Financial assets		
Borrowings provided	4,996	-
Term deposits	117,887	-
Trade and other receivables	99,403	-
Cash and bank balances	305,819	829
	528,105	829
Financial liabilities		
Trade and other payables	180	1,107
Borrowings received	35,133	-
	35,313	1,107
Net position	492,792	(278)

Item As of December 31, 2014	US dollar	Other
Financial assets		
Borrowings provided	4,512	-
Trade and other receivables	10,874	-
Cash and bank balances	10,478	44,293
	25,864	44,293
Financial liabilities		
Trade and other payables	-	329
Borrowings received	30,080	-
	30,080	329
Net position	(4,216)	43,964

The following table details the Foundation's sensitivity to a 10% (2014: 10%) increase and decrease in dram against US dollar. 10% (2014: 10%) represents management's assessment of the 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% (2014: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar by 10% (2014: 10%) then this would have had the following impact:

In thousand drams	US dollar impact	
	2015	2014
Profit or loss	49,279	(422)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Foundation's exposure to currency risk.

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Foundation. The effect of this risk for the Foundation arises from different financial instruments, such as accounts receivable, term deposits, held-to-maturity investments, amounts due from financial institutions, etc. The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

In thousand drams	As of December 31, 2015	As of December 31, 2014
Financial assets at carrying amounts		
Term deposits	121,547	-
Borrowings provided	29,731	34,743
Accounts receivable	109,173	12,970
Bank balances	344,682	104,955
	605,133	152,668

At the reporting date there was no significant concentration of credit risk in respect of trade and other receivables. The Foundation has made provisions of drams 880 thousand as of December 31, 2015 (December 31, 2014: drams 880 thousand) for overdue receivables.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks.

c) Liquidity risk

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

The Foundation's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related payments when those become due.

The Foundation's liabilities are interest free and repayable within 6 months.

The Foundation considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources and trade receivables. The Foundation's cash resources and trade receivables exceed the current cash outflow requirements.

26 Contingencies

26.1 Insurance

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

26.2 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.

27 Related parties

The Foundation's related parties include its founders, members of the Board of Trustees, key management and others as described below.

27.1 Transactions with related parties

During the reporting year the Foundation had the following transactions with the related parties and as of the reporting date had the following outstanding balances.

In thousand drams Transactions	Year ended December 31, 2015	Year ended December 31, 2014
Foundations and companies founded by the Foundation		
Provision of grants	137,568	168,546
Services received	75	14,400
Rendering of services	-	2,000
Provision of borrowings	20,000	23,000
Members of the Board of Trustees and their related parties		
Acquisition of goods and services	43,928	22,852
Key management		
Acquisition of services	3,600	3,600
Grants received	1,494	1,418
Borrowings received	-	722
Provision of borrowings	-	37,215
Salary	95,030	63,054

In thousand drams Outstanding balances	As of December 31, 2015	As of December 31, 2014
Foundations and companies founded by the Foundation		
Trade and other payables	60,347	22,509
Members of the Board of Trustees and their related parties		
Trade and other payables	1,138	537
Key management		
Grants related to income	635,843	504,596
Prepayments made	795	4,388
Borrowings received	32,965	29,802
Trade and other payables	493	141
Borrowings provided	24,735	24,735

28 Restatement of comparative financial statements

During 2015 the Company decided to restate the financial statements of prior year according to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* due to discovery of errors related to previous years. As a result of the above, the Company's management decided to make relevant adjustments in these financial statements, which were applied retrospectively based on the policy adopted by the Company (refer to note 2.5).

The impact of adjustments is as follows:

In thousand drams

	As of December 31, 2014		
	According to previous statement	Adjustment	Restated balance
Assets			
Non-current assets			
Property and equipment	1,504,735	-	1,504,735
Intangible assets	4,250	-	4,250
Borrowings provided	24,735	-	24,735
Deferred income tax assets	13,944	4,134	18,078
Prepayments for non-current assets	88,169	(11,931)	76,238
	1,635,834		1,628,036
Current assets			
Inventories	10,276	-	10,276
Trade and other receivables	86,808	21,998	108,806
Term deposits	10,008	(10,008)	-
Borrowings provided	-	10,008	10,008
Cash and bank balances	104,955	-	104,955
	212,047		234,045
Total assets	1,847,881		1,862,081
Net assets			
Accumulated profit	41,275	(7,797)	33,478
	41,275		33,478
Non-current liabilities			
Borrowings received	3,892	-	3,892
Grants related to assets	1,566,011	13,646	1,579,657
	1,569,903		1,583,549
Current liabilities			
Grants related to income	-	88,396	88,396
Borrowings received	28,087	-	28,087
Trade and other payables	204,171	(79,691)	124,480
Current income tax liabilities	4,445	(354)	4,091
	236,703		245,054
Total equity and liabilities	1,847,881		1,862,081

The details of adjustments on retained earnings are described below:

In thousand drams

	As of December 31, 2014
Write off of other non-current assets	(11,931)
Adjustment of deferred tax assets	4,134
	(7,797)