

Ayb Educational Foundation

**Financial Statements
for 2016**

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Independent Auditors' Report

To the Board of Trustees of Ayb Educational Foundation

Opinion

We have audited the financial statements of Ayb Educational Foundation (the "Foundation"), which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in fund balance and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Emphasis of Matter - Comparative Information

We draw attention to Note 20 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2015 has been restated. Our opinion is not modified in respect of this matter.

Other Matters Relating to Comparative Information

The financial statements of the Foundation as at and for the years ended 31 December 2015 and 31 December 2014 (from which the statement of financial position as at 1 January 2015 has been derived), excluding the adjustments described in Note 20 to the financial statements were audited by another auditor who expressed a modified opinion on those financial statements on 31 August 2016, because the Foundation had recognized construction in progress for which it had no ownership rights and which are actually used by a third party.



As part of our audit of the financial statements as at and for the year ended 31 December 2016, we audited the adjustments described in Note 20 that were applied to restate the comparative information presented as at and for the year ended 31 December 2015 and the statement of financial position as at 1 January 2015. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31 December 2015 or 31 December 2014 (not presented herein) or to the statement of financial position as at 1 January 2015, other than with respect to the adjustments described in Note 20 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 20 are appropriate and have been properly applied.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement partner on the audit resulting in this independent auditors' report is Irina Gevorgyan.

Tigran Gasparyan
Director



Irina Gevorgyan
Audit Director

KPMG Armenia cjsc

KPMG Armenia cjsc
8 August 2017

Ayb Educational Foundation
Statement of Financial Position as of 31 December 2016

| AMD'000 | Note | 31 December 2016 | 31 December 2015 Restated | 1 January 2015 Restated |
|---|------|------------------|------------------------------|----------------------------|
| Assets | | | | |
| Cash and cash equivalents | 5 | 193,993 | 344,682 | 104,955 |
| Deposits in banks | | 123,889 | 121,547 | - |
| Grants and other receivables | 6 | 414,937 | 296,297 | 118,814 |
| Inventory | 7 | 342,333 | 74,426 | 10,276 |
| Current assets | | 1,075,152 | 836,952 | 234,045 |
| Property, equipment and intangible assets | 8 | 73,655 | 70,327 | 36,062 |
| Borrowings given | | - | 24,735 | 24,735 |
| Deferred tax assets | 14 | 24,326 | 25,110 | 18,078 |
| Prepayments for non-current assets | | 2,509 | 5,017 | 76,238 |
| Non-current assets | | 100,490 | 125,189 | 155,113 |
| Total assets | | 1,175,642 | 962,141 | 389,158 |
| Liabilities and fund balance | | | | |
| Trade and other payables | 9 | 117,226 | 217,850 | 124,480 |
| Current tax liability | | - | - | 4,091 |
| Short term borrowings | | - | 31,621 | 28,087 |
| Grants related to assets | 11 | 18,135 | 10,680 | 28,344 |
| Grants related to income | 10 | 956,376 | 619,028 | 88,396 |
| Current liabilities | | 1,091,737 | 879,179 | 273,398 |
| Grants related to assets | 11 | 59,042 | 65,037 | 78,390 |
| Long term borrowings | | 5,240 | 5,239 | 3,892 |
| Non-current liabilities | | 64,282 | 70,276 | 82,282 |
| Total liabilities | | 1,156,019 | 949,455 | 355,680 |
| Accumulated surplus | | 19,623 | 12,686 | 33,478 |
| Fund balance | | 19,623 | 12,686 | 33,478 |
| Total liabilities and fund balance | | 1,175,642 | 962,141 | 389,158 |

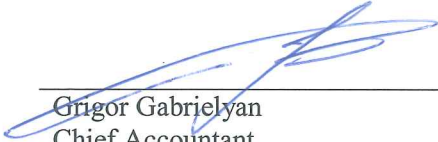
Ayb Educational Foundation
Statement of Profit or Loss and Other Comprehensive Income for 2016

| AMD'000 | Note | 2016 | 2015 |
|---|------|------------------|------------------|
| | | | Restated |
| Contribution income | 12 | 1,313,708 | 1,217,813 |
| Income from services | | 91,362 | 96,099 |
| Other income | | 10,004 | 2,440 |
| | | 1,415,074 | 1,316,352 |
| Donations and grants given | | (638,453) | (619,456) |
| Personnel expense | | (401,323) | (338,397) |
| Educational and other materials | | (238,230) | (226,295) |
| Depreciation and amortization expense | | (18,135) | (10,680) |
| Other expenses | 13 | (119,278) | (154,423) |
| Results from operating activities | | (345) | (32,899) |
| Finance income | | 8,548 | 7,312 |
| Finance costs | | (482) | (1,603) |
| Net finance income | | 8,066 | 5,709 |
| Profit/(loss) before income tax | | 7,721 | (27,190) |
| Income tax (expense)/benefit | 14 | (784) | 6,398 |
| Total comprehensive income/(loss) for the year | | 6,937 | (20,792) |

The financial statements were approved by management on 20 July 2017 and were signed on its behalf by:



Sona Koshetsyan
Acting Executive Director



Grigor Gabrielyan
Chief Accountant



| AMD'000 | 2016 | 2015 |
|--|------------------|------------------|
| Cash flows from operating activities | | |
| Cash receipts from customers | 92,301 | 95,933 |
| Grants and donations received* | 1,766,555 | 1,721,315 |
| Grants and donations given | (721,646) | (158,603) |
| Cash paid to suppliers | (828,465) | (837,060) |
| Cash paid to employees | (406,533) | (328,268) |
| Payments for taxes other than on income | (41,782) | (100,947) |
| Other cash payments | - | (2,595) |
| Cash flows (used in)/from operating activities before income taxes paid | (139,570) | 389,775 |
| Income tax paid | (12,200) | - |
| Net cash flow (used in)/from operating activities | (151,770) | 389,775 |
| Cash flows from investing activities | | |
| Prepayments given | - | (6,377) |
| Acquisition of property, equipment and intangible assets | (23,427) | (31,708) |
| Placement of deposits | - | (118,288) |
| Borrowings given | (51,000) | - |
| Proceeds from borrowings given | 75,415 | - |
| Interest income received | 12,517 | 832 |
| Net cash flow from/(used in) investing activities | 13,505 | (155,541) |
| Cash flows from financing activities | | |
| Proceeds from loans and borrowings | - | 2,969 |
| Repayment of loan and borrowings | - | (172) |
| Net cash flow from financing activities | - | 2,797 |
| Net (decrease)/increase in cash and cash equivalents | (138,265) | 237,031 |
| Cash and cash equivalents at 1 January | 344,682 | 104,955 |
| Effect of exchange rate fluctuations on cash and cash equivalents | (12,424) | 2,696 |
| Cash and cash equivalents at 31 December (note 5) | 193,993 | 344,682 |

* During the year ended 31 December 2016 a borrowing from a related party amounting to AMD 30,042 thousand was waived and converted to grant related to income.

Ayb Educational Foundation
Statement of Changes in Fund Balance for 2016

| AMD'000 | <u>Accumulated surplus</u> |
|---------------------------------------|-----------------------------------|
| Balance as at 1 January 2015 | 33,478 |
| Loss for the year | (20,792) |
| Balance as at 31 December 2015 | <u>12,686</u> |
| | |
| Balance as at 1 January 2016 | 12,686 |
| Income for the year | 6,937 |
| Balance as at 31 December 2016 | <u>19,623</u> |

1 Background

(a) Armenian business environment

The Foundation's operations are located in Armenia. Consequently, the Foundation is exposed to the economic and financial markets of Armenia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia. These financial statements reflect management's assessment of the impact of the Armenian business environment on the operations and the financial position of the Foundation. The future business environment may differ from management's assessment.

(b) Foundation and operations

Ayb Educational Foundation (the "Foundation") was established by:

- Ashot Aslanyan
- Davit Pakhchanyan
- Aram Pakhchanyan
- Karo Sargsyan
- Karen Musaelyan
- David Yan
- Matevos Aramyanyan
- Ogtagon LLC

The main objective of the Foundation is the creation of high quality educational environment in Armenia, support to the development and improvement of educational system of Republic of Armenia, support to youth in career development and protection of their rights.

The Foundation's registered office is 19a Koryun Street, 9th floor, Yerevan 0009, Republic of Armenia.

2 Basis of accounting

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 Functional and presentation currency

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

4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 20 (g) – allocation of expenses.

5 Cash and cash equivalents

| AMD'000 | 2016 | 2015 |
|--|----------------|----------------|
| Bank balances | 192,477 | 344,532 |
| Cash in transit | 1,516 | - |
| Cash on hand | - | 130 |
| Cash and cash equivalents in the statement of financial position and in the statement of cash flows | 193,993 | 344,682 |

The Foundation's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 15.

6 Grants and other receivables

| AMD'000 | 2016 | 2015 |
|--------------------------|----------------|----------------|
| Advances and prepayments | 379,395 | 168,051 |
| Current tax assets | 15,551 | 3,351 |
| Grants receivables | 14,470 | 99,403 |
| Borrowings given | 5,315 | 4,996 |
| Other receivables | 206 | 20,496 |
| | 414,937 | 296,297 |

As at 31 December 2016 the Foundation has three counterparties (2015: two counterparties), whose balance exceeded 10% of the total grants and other receivables. The total value of these balances as of 31 December 2016 is AMD 332,689 thousand (2015: AMD 129,547 thousand).

The Foundation's exposure to credit and currency risks related to grants and other receivables are disclosed in note 15.

7 Inventory

| AMD'000 | 2016 | 2015 |
|------------------------|----------------|---------------|
| Construction materials | 338,005 | 68,559 |
| Fuel | 78 | 484 |
| Other | 4,250 | 5,383 |
| | 342,333 | 74,426 |

8 Property, equipment and intangible assets

| AMD'000 | Computers and equipment | Motor vehicles | Fixtures, fittings and literature | Leasehold improvement | Intangible assets | Total |
|---|----------------------------|-------------------|---|--------------------------|----------------------|----------------|
| <i>Cost</i> | | | | | | |
| Balance at 1 January 2015, restated | 21,300 | 19,256 | 7,400 | - | 52,286 | 100,242 |
| Additions | 18,833 | - | 9,791 | 13,974 | 2,980 | 45,578 |
| Disposals | (1,268) | - | (2,935) | - | - | (4,203) |
| Balance at 31 December 2015, restated | 38,865 | 19,256 | 14,256 | 13,974 | 55,266 | 141,617 |
| Balance at 1 January 2016 | 38,865 | 19,256 | 14,256 | 13,974 | 55,266 | 141,617 |
| Additions | 4,319 | - | 16,848 | - | 358 | 21,525 |
| Disposals | - | - | (1,366) | - | - | (1,366) |
| Balance at 31 December 2016 | 43,184 | 19,256 | 29,738 | 13,974 | 55,624 | 161,776 |
| <i>Depreciation and amortization</i> | | | | | | |
| Balance at 1 January 2015, restated | 11,107 | 36 | 4,300 | - | 48,737 | 64,180 |
| Depreciation and amortisation for the year, restated | 4,591 | 1,926 | 3,685 | - | 478 | 10,680 |
| Disposals | (635) | - | (2,935) | - | - | (3,570) |
| Balance at 31 December 2015, restated | 15,063 | 1,962 | 5,050 | - | 49,215 | 71,290 |
| Balance at 1 January 2016 | 15,063 | 1,962 | 5,050 | - | 49,215 | 71,290 |
| Depreciation and amortisation for the year | 6,538 | 1,926 | 6,084 | 2,772 | 815 | 18,135 |
| Disposals | - | - | (1,304) | - | - | (1,304) |
| Balance at 31 December 2016 | 21,601 | 3,888 | 9,830 | 2,772 | 50,030 | 88,121 |
| <i>Carrying amounts</i> | | | | | | |
| At 1 January 2015, restated | 10,193 | 19,220 | 3,100 | - | 3,549 | 36,062 |
| At 31 December 2015, restated | 23,802 | 17,294 | 9,206 | 13,974 | 6,051 | 70,327 |
| At 31 December 2016 | 21,583 | 15,368 | 19,908 | 11,202 | 5,594 | 73,655 |

9 Trade and other payables

| AMD'000 | 2016 | 2015 |
|----------------------------|----------------|----------------|
| Payables to state budget | 59,432 | 30,067 |
| Payables to employees | 30,485 | 35,695 |
| Trade payables | 16,152 | 43,697 |
| Prepayment received | 11,157 | 46,354 |
| Payables related to grants | - | 60,347 |
| Other payables | - | 1,690 |
| Total payables | 117,226 | 217,850 |

The Foundation's exposure to currency and liquidity risks related to payables are disclosed in note 15.

10 Grants related to income

| AMD'000 | 2016 | 2015 |
|-----------------------------------|----------------|-----------------|
| | | Restated |
| Opening balance | 619,028 | 88,396 |
| Received during the year | 1,632,921 | 1,450,161 |
| Recognised in contribution income | (1,295,573) | (919,529) |
| Closing balance | 956,376 | 619,028 |

11 Grants related to assets

| AMD'000 | 2016 | 2015 |
|-----------------------------------|---------------|-----------------|
| | | Restated |
| Opening balance | 75,717 | 106,734 |
| Received during the year | 19,594 | 267,267 |
| Recognised in contribution income | (18,135) | (298,284) |
| Closing balance | 77,177 | 75,717 |

12 Contribution income

| AMD'000 | 2016 | 2015 |
|--|------------------|------------------|
| | | Restated |
| For construction work on Ayb School | 458,100 | 359,310 |
| For implementation of government project | 424,835 | 383,276 |
| From other donations and grants | 430,773 | 475,227 |
| | 1,313,708 | 1,217,813 |

13 Other expenses

| AMD'000 | 2016 | 2015 |
|---|----------------|----------------|
| Rent expenses | 42,254 | 48,433 |
| Business trip and representation expenses | 34,133 | 37,004 |
| Utility and office expenses | 16,376 | 13,065 |
| Transportation expenses | 7,517 | 3,481 |
| Audit and consulting services | 3,436 | 10,201 |
| Other expenses | 15,562 | 42,239 |
| | 119,278 | 154,423 |

14 Income tax expense

(a) Amounts recognised in profit or loss

The Foundation's applicable tax rate is the income tax rate of 20% for Armenian companies.

| AMD'000 | 2016 | 2015 |
|---|--------------|--------------|
| Current tax expense | - | (634) |
| Origination and reversal of temporary differences | (784) | 7,032 |
| Total income tax (expense)/benefit | (784) | 6,398 |

Reconciliation of effective tax rate:

| AMD'000 | 2016 | % | 2015 | % |
|---------------------------------|--------------|-------------|--------------|-----------|
| Profit/(loss) before income tax | 7,721 | | (27,190) | |
| Tax at applicable tax rate | (1,544) | (20) | 5,438 | 20 |
| Non-taxable income | 760 | 10 | 960 | 4 |
| | (784) | (10) | 6,398 | 24 |

(b) Deferred tax assets and liabilities

Movement in temporary differences during the year:

| AMD'000 | Balance 1 January 2016 | Recognized in profit or loss | Balance 31 December 2016 |
|--------------------------|---------------------------|---------------------------------|-----------------------------|
| Intangible assets | 9,674 | - | 9,674 |
| Trade receivables | 176 | - | 176 |
| Grant related to assets | 8,160 | 220 | 8,380 |
| Trade and other payables | 7,100 | (1,004) | 6,096 |
| | 25,110 | (784) | 24,326 |

| AMD'000 | Balance 1 January 2015 | Recognized in profit or loss | Balance 31 December 2015 |
|--------------------------|---------------------------|---------------------------------|-----------------------------|
| Intangible assets | 9,674 | - | 9,674 |
| Trade receivables | 176 | - | 176 |
| Grant 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 |

15 Fair values and risk management

(a) Fair values of financial instruments

The estimated fair value of all the financial assets and liabilities approximate their carrying amounts.

(b) Financial risk management

The Foundation has exposure to the following risks from its use of financial instruments:

- credit risk (see note 15 (b));
- liquidity risk (see note 15 (c));
- market risk (see note 15 (d)).

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

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

The Foundation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Foundation if a counterparty of a financial instrument fails to meet its contractual obligations. Financial assets, which are potentially subject to concentrations of credit risk, consist principally of bank balances. Although collection of bank balances could be influenced by economic factors, management believes that no counterparty will fail to meet its obligations and that the Foundation is, accordingly, not significantly exposed to credit risk. Bank balances are maintained with reputable Armenian banks, and the Foundation does not expect any counterparty to fail to meet its obligations.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

| AMD'000 | 2016 | 2015 |
|-------------------------------|----------------|----------------|
| ASSETS | | |
| Cash and cash equivalents | 193,993 | 344,682 |
| Deposits in banks | 123,889 | 121,547 |
| Grant receivables | 14,470 | 99,403 |
| Borrowings given | 5,315 | 29,731 |
| Total maximum exposure | 337,667 | 595,363 |

(c) Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Foundation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Foundation's reputation. The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

31 December 2016

| AMD'000 | Contractual cash flows | | | | | | |
|---|------------------------|---------------|--------------------|-------------|--------------|-----------|--------------|
| | Carrying amount | Total | Less than 2 months | 2-12 months | 1-2 years | 2-5 years | Over 5 years |
| Non-derivative financial liabilities | | | | | | | |
| Trade and other payables | 16,152 | 16,152 | 16,152 | - | - | - | - |
| Borrowings received | 5,240 | 5,240 | - | - | 5,240 | - | - |
| | 21,392 | 21,392 | 16,152 | - | 5,240 | - | - |

31 December 2015

| AMD'000 | Contractual cash flows | | | | | | |
|---|------------------------|----------------|--------------------|-------------|---------------|--------------|--------------|
| | Carrying amount | Total | Less than 2 months | 2-12 months | 1-2 years | 2-5 years | Over 5 years |
| Non-derivative financial liabilities | | | | | | | |
| Trade and other payables | 104,044 | 104,044 | 104,044 | - | - | - | - |
| Borrowings received | 36,860 | 36,860 | - | - | 31,621 | 5,239 | - |
| | 140,904 | 140,904 | 104,044 | - | 31,621 | 5,239 | - |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(d) Market risk

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

Currency risk

The Foundation is exposed to currency risk to the extent that there is a mismatch between currencies in which deposits, grant and other receivables and borrowings are denominated and the functional currency of the Foundation. The currency in which these transactions are primarily denominated is USD.

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

| AMD'000 | USD-denominated 2016 | USD-denominated 2015 |
|-----------------------------|---------------------------------|---------------------------------|
| Deposits in banks | 123,889 | 118,288 |
| Cash and cash equivalents | 86,241 | 305,819 |
| Grant and other receivables | 19,067 | 103,999 |
| Borrowings received | (3,513) | (35,133) |
| Trade and other payables | - | (180) |
| | 225,684 | 492,793 |

The following significant exchange rates have been applied during the year:

| | Average rate | | Reporting date spot rate | |
|------------------|---------------------|-------------|---------------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| 1 USD equals AMD | 480.48 | 477.95 | 483.94 | 483.75 |

Sensitivity analysis

A reasonably possible strengthening (weakening) of the AMD, as indicated below, against USD at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| '000 AMD | Strengthening Profit or loss | Weakening Profit or loss |
|-------------------------|---|-------------------------------------|
| 31 December 2016 | | |
| USD (10% movement) | (22,568) | 22,568 |
| 31 December 2015 | | |
| USD (10% movement) | (49,279) | 49,279 |

16 Capital commitments

The Foundation is committed to incur capital expenditure of AMD 323,616 thousand (2015: AMD 800,215 thousand) related to construction contracts.

17 Capital management

Given the nature of the Foundation's operations, the Foundation does not have a formal capital management policy. The Foundation is not subject to externally imposed capital requirements.

18 Related party transactions

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel expenses:

| AMD'000 | 2016 | 2015 |
|----------------------|---------|--------|
| Salaries and bonuses | 113,655 | 95,030 |

(ii) Other transactions with key management

| AMD'000 | Transaction value for the year ended 31 December | | Outstanding balance as at 31 December | |
|--------------------------|---|---------|--|----------|
| | 2016 | 2015 | 2016 | 2015 |
| Services received | - | (3,600) | - | (302) |
| Grants related to income | 715 | 1,494 | - | - |
| Borrowing given | - | - | - | (24,735) |

The borrowing given to the related party with the outstanding balance of AMD 24,735 thousand as at 31 December 2015 was interest free and repayable in 2016.

(iii) Transactions with Board of Trustees and founders

| AMD'000 | Transaction value for the year ended 31 December | | Outstanding balance as at 31 December | |
|---------------------------------------|---|---------|--|---------|
| | 2016 | 2015 | 2016 | 2015 |
| Grants related to income | 185,893 | 134,802 | 496,199 | 352,566 |
| Borrowing received converted to grant | 30,042 | - | 2,614 | 32,965 |

The borrowing received from the related party with the outstanding balance of AMD 32,965 thousand as at 31 December 2015 was interest free and repayable in 2016.

(iv) *Transactions with other related parties*

| AMD'000 | Transaction value for the year ended 31 December | | Outstanding balance as at 31 December | |
|-------------------------------------|---|-----------|--|----------|
| | 2016 | 2015 | 2016 | 2015 |
| Grants related to income (received) | 728 | - | 728 | - |
| Grant given | (565,528) | (497,926) | - | (60,347) |
| Services received | - | (75) | - | - |
| Borrowings given | - | 20,000 | - | - |
| Acquisition of goods and services | (42,732) | (43,928) | - | (1,138) |

All outstanding balances with related parties are to be settled in cash within one year of the reporting date. None of the balances are secured. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

Other related parties represent entities under common control with the Foundation and other foundations founded by the Foundation.

19 Basis of measurement

The financial statements have been prepared on the historical cost basis.

20 Correction of errors

In preparation of these financial statements, the management has restated certain comparative information in order to make correction of errors as explained below.

In 2010 a mutual agreement was signed between Ayb Educational Foundation (the "Foundation") and VEM Charity foundation, by which the parties agreed to establish a new legal entity in the form of foundation and realize Ayb Learning Hub project. Under this project, the Foundation would implement the construction and VEM Charity Foundation would provide the land. Based on the initial agreement, after creation of a new foundation (Ayb Learning Hub) in a reasonable time assets created under this contract would be transferred to the new foundation. Ayb Learning Hub Foundation was established in June 2011.

During the period 2011-2016 the Foundation has carried out construction for Ayb Learning Hub project, situated on the land provided by VEM Charity Foundation. VEM Charity Foundation holds the legal title over the land and over the buildings constructed. The buildings are used by Ayb Learning Hub Foundation. The Foundation has recognized funding of the construction performed as construction in progress in its statement of financial position and funds received from donors for financing of the construction, as grants related to assets. As at 31 December 2015 the carrying amount of construction in progress and corresponding grants recognized in the statement of financial position amounted to AMD 1,645,969 thousand (1 January 2015: AMD 1,293,282 thousand).

During the period 2011-2016 the Foundation has purchased certain fixed assets funded by grants received and transferred to Ayb Learning Hub Foundation under an agreement for free of charge use for seven years. The Foundation continued to recognize these assets and grants related to assets in its statement of financial position after the transfer. As at 31 December 2015 the carrying amount of these assets and related grants amounted to AMD 234,075 thousand (1 January 2015: AMD 179,641 thousand).

In preparing these financial statements, the management restated the corresponding figures to remove the total balance of construction in progress and other fixed assets and related grants from the statement of financial position.

Statement of financial position

| AMD'000 | Impact of correction of error | | |
|---|-------------------------------|-------------|-------------|
| | Amount as previously reported | Adjustments | As restated |
| 1 January 2015 | | | |
| Total assets | | | |
| Property, equipment and intangible assets | 1,508,985 | (1,472,923) | 36,062 |
| Total liabilities | | | |
| Grants related to assets | 1,579,657 | (1,472,923) | 106,734 |

| AMD'000 | Impact of correction of error | | |
|---|-------------------------------|-------------|-------------|
| | Amount as previously reported | Adjustments | As restated |
| 31 December 2015 | | | |
| Total assets | | | |
| Property, equipment and intangible assets | 1,903,608 | (1,833,281) | 70,327 |
| Total liabilities | | | |
| Grants related to assets | 1,790,806 | (1,715,089) | 75,717 |
| Grants related to income | 737,220 | (118,192) | 619,028 |

Statement of profit or loss and other comprehensive income

| AMD'000 | Impact of correction of error | | |
|--|-------------------------------|-------------|-----------------|
| | Amount as previously reported | Adjustments | As restated |
| For the year ended 31 December 2015 | | | |
| Contribution Income | 857,455 | 360,358 | 1,217,813 |
| Donations and grants given | (212,334) | (407,122) | (619,456) |
| Depreciation and amortization expense | (57,444) | 46,764 | (10,680) |
| Total comprehensive income | (20,792) | - | (20,792) |

21 Significant accounting policies

The accounting policies applied by the Foundation in these financial statements are the same as those applied by the Foundation in its financial statements as at and for the year ended 31 December 2015.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to AMD at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AMD at the exchange rate at that date. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

(b) Financial instruments

Non-derivative financial assets

The Foundation initially recognises receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Foundation becomes a party to the contractual provisions of the instrument.

The Foundation derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Foundation is recognised as a separate asset or liability.

The Foundation derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

The Foundation classifies non-derivative financial assets into the loans and receivables category. Loans and receivables are a category of financial asset with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 3(e)(i)).

Loans and receivables category comprise the following classes of financial assets: receivables, cash and cash equivalents as presented in note 4 and borrowings given.

Cash and cash equivalents comprise cash balances and current bank accounts.

Non-derivative financial liabilities

The Foundation classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities comprise payables.

(c) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

If parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

(ii) Subsequent costs

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

(iii) Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

- | | |
|---------------------------|------------|
| • computers and equipment | 5-10 years |
| • vehicles | 5-10 years |
| • fixtures and fittings | 3-5 years |
| • leasehold improvement | 1-10 years |
| • intangible assets | 5 years |
| • other assets | 1-10 years |

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

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(e) Impairment

(i) *Non-derivative financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Foundation on terms that the Foundation would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers or economic conditions that correlate with defaults.

The Foundation considers evidence of impairment for receivables at both an individual asset and collective level. All individually significant receivables are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Foundation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount net of related deferred revenue, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Foundation considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss.

(ii) *Non-financial assets*

The carrying amounts of the Foundation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Grants and contribution income

Grants related to income and grants related to assets are recognised initially at fair value when there is reasonable assurance that they will be received and that the Foundation will comply with the conditions associated with the grant. Grants related to assets are recognised in profit or loss on a systematic basis over the useful life of the asset. Grants related to income that compensate the Foundation for expenses incurred are recognised in profit or loss as contribution income on a systematic basis in the same periods in which the expenses are recognized.

(g) Expenses

Program expenses relating to provision of grants are recognised when a grant letter is signed between the Foundation and the grantee. If grants are provided with conditions, the grant expense is recorded when the grantee meets the condition or when the likelihood that the recipient will not meet the conditions becomes remote.

Other program expenses and non-grant expenses are recognised on an accrual basis, when goods are received or when services are performed.

Allocation of expenses related to program and administrative expenses is performed based on the underlying nature of the expense as well as management's best estimate of the time spent and related expenses incurred on program related/non-program related activities.

The management estimates the time spent and the related expenses incurred on program related and non-program related activities in average proportions of 91% and 9% (2015: 90% and 10%) in relation to administrative expenses.

(h) Taxation contingencies

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(i) Leases

(i) *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Foundation determines whether such an arrangement is or contains a lease. This will be the case if the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

At inception or upon reassessment of an arrangement, the Foundation separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Foundation concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Foundation's incremental borrowing rate.

(ii) *Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

22 New standards and interpretations not yet adopted

The following new standards, amendments to standards, and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Foundation's operations. The Foundation plans to adopt these pronouncements when they become effective.

(a) IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

The Foundation has not yet analysed the likely impact of the new Standard on its financial position or performance.

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Foundation has not yet analysed the likely impact of the new Standard on its financial position or performance.