



**Financial Statements and Independent Auditor's
Report**

Eurasia Partnership Foundation

December 31, 2014

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Members of the Board of Trustees as of December 31, 2014

The Chairman of the Board of Trustees of the Eurasia Partnership Foundation is David Lawrence Lee the director of “MagtiCom” LLC.

The Foundation’s trustees are:

Andrew Coxshall
Board Treasurer
“KPMG Armenia” CJSC

William Hanlon
OSCE Office in Yerevan

Mary Sheehan
International Organization for Migration

Danielle del Marmol
Belgium Ambassador, ret.

Dieter Boden
German Ambassador, ret.

Kenneth S. Yalowitz
U.S. Ambassador, ret.
Dickey Center for International Understanding, Dartmouth College

Yeva Hyusyan
Microsoft Corporation, Armenian Representation

Raffi Doudaklian
Mission East, Armenian Branch

Statement of financial position


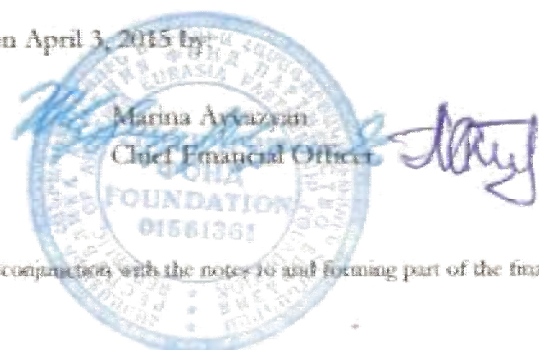
	Note	In thousand drams			In US dollar		
		As of December 31, 2014	As of December 31, 2013 (restated)	As of January 1, 2013 (restated)	As of December 31, 2014	As of December 31, 2013 (restated)	As of January 1, 2013 (restated)
Assets							
<i>Non-current assets</i>							
Property and equipment	4	101,682	52,317	17,868	214,081	128,974	44,274
Intangible assets		718	933	1,149	1,512	2,300	2,847
Prepayments for acquisition of property and equipment		2,528	-	-	5,322	-	-
		<u>104,928</u>	<u>53,250</u>	<u>19,017</u>	<u>220,915</u>	<u>131,274</u>	<u>47,121</u>
<i>Current assets</i>							
Inventories		-	-	16,670	-	-	41,305
Accounts receivable	5	558,628	1,132,126	425,482	1,176,133	2,790,962	1,054,269
Current income tax assets		6,244	-	-	13,146	-	-
Cash and bank balances		149,437	115,445	119,672	314,624	284,600	296,526
		<u>714,309</u>	<u>1,247,571</u>	<u>561,824</u>	<u>1,503,903</u>	<u>3,075,562</u>	<u>1,392,100</u>
Total assets		<u><u>819,237</u></u>	<u><u>1,300,821</u></u>	<u><u>580,841</u></u>	<u><u>1,724,818</u></u>	<u><u>3,206,836</u></u>	<u><u>1,439,221</u></u>

Statement of financial position (continued)

	Note	In thousand drams			In US dollar		
		As of December 31, 2014	As of December 31, 2013 (restated)	As of January 1, 2013 (restated)	As of December 31, 2014	As of December 31, 2013 (restated)	As of January 1, 2013 (restated)
<i>Liabilities and net assets</i>							
<i>Non-current liabilities</i>							
Grants related to assets	6	102,400	53,250	19,017	215,593	131,274	47,121
		<u>102,400</u>	<u>53,250</u>	<u>19,017</u>	<u>215,593</u>	<u>131,274</u>	<u>47,121</u>
<i>Current liabilities</i>							
Accounts payable	7	20,373	18,392	41,501	42,893	45,342	102,832
Deferred income	8	650,277	1,199,474	495,288	1,369,091	2,956,991	1,227,236
Current income tax liabilities		-	8,042	1,447	-	19,825	3,585
		<u>670,650</u>	<u>1,225,908</u>	<u>538,236</u>	<u>1,411,984</u>	<u>3,022,158</u>	<u>1,333,653</u>
<i>Net assets</i>							
Accumulated result (unrestricted)		46,187	21,663	23,588	112,749	53,747	58,447
Foreign currency translation reserve		-	-	-	(15,508)	(343)	-
		<u>46,187</u>	<u>21,663</u>	<u>23,588</u>	<u>97,241</u>	<u>53,404</u>	<u>58,447</u>
Total liabilities and net assets		<u>819,237</u>	<u>1,300,821</u>	<u>580,841</u>	<u>1,724,818</u>	<u>3,206,836</u>	<u>1,439,221</u>

The financial statements were approved on April 3, 2015 by:

Gevorg Ter-Gabrielyan
 Chief Executive Officer

 Marina Arvazyan
 Chief Financial Officer

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 10 to 38.

Statement of activities

	Note	In thousand drams		In US dollar	
		Year ended December 31, 2014	Year ended December 31, 2013 (restated)	Year ended December 31, 2014	Year ended December 31, 2013 (restated)
Income from grants and contributions	9	784,623	529,679	1,887,701	1,293,351
Revenue from services		8,795	121,493	21,160	296,657
Other income		1,567	2,967	3,770	7,245
Other financial items, net	11	22,905	3,989	55,106	9,740
Total income		817,890	658,128	1,967,737	1,606,993
Employee benefit expenses		(167,541)	(296,537)	(403,082)	(724,073)
Grant expenses	10	(567,442)	(271,679)	(1,365,192)	(663,376)
Depreciation and amortization expenses		(21,230)	(12,009)	(51,077)	(29,323)
Audit and consulting expenses		(8,343)	(14,295)	(20,072)	(34,905)
Trip and representation expenses		(10,785)	(10,710)	(25,947)	(26,151)
Office expenses		(6,241)	(7,702)	(15,015)	(18,806)
Other expenses		(10,408)	(37,064)	(25,040)	(90,502)
Total expenses		(791,990)	(649,996)	(1,905,425)	(1,587,136)
Result before taxation		25,900	8,132	62,312	19,857
Income tax expense	12	(1,376)	(10,057)	(3,310)	(24,557)
Result for the year		24,524	(1,925)	59,002	(4,700)

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 38.

Statement of changes in net assets

	In thousand drams		Foreign currency translation reserve	In US dollar	
	Accumulated result (unrestricted)	Total		Accumulated result (unrestricted)	Total
as of January 1, 2013 (before restatement)	23,107	23,107	-	57,255	57,255
Restatement (refer to note 18) as of January 1, 2013 (restated)	481	481	-	1,192	1,192
	<u>23,588</u>	<u>23,588</u>	-	<u>58,447</u>	<u>58,447</u>
Result for the year	(1,925)	(1,925)	-	(4,700)	(4,700)
Foreign exchange difference from translation of financial statements	-	-	(343)	-	(343)
as of December 31, 2013 (restated)	<u>21,663</u>	<u>21,663</u>	<u>(343)</u>	<u>53,747</u>	<u>53,404</u>
Result for the year	24,524	24,524	-	59,002	59,002
Foreign exchange difference from translation of financial statements	-	-	(15,165)	-	(15,165)
as of December 31, 2014	<u><u>46,187</u></u>	<u><u>46,187</u></u>	<u><u>(15,508)</u></u>	<u><u>112,749</u></u>	<u><u>97,241</u></u>

The statement of changes in reserves is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 38.

Statement of cash flows

	In thousand drams		US dollar	
	Year ended December 31, 2014	Year ended December 31, 2013 (restated)	Year ended December 31, 2014	Year ended December 31, 2013 (restated)
Cash flows from operating activities				
Result for the year/(loss)	24,524	(1,925)	59,002	(4,700)
<i>Adjustments for:</i>				
Depreciation and amortization	21,230	12,009	51,348	29,342
Loss on disposal of property and equipment	-	4,065	-	9,926
Income from grants	(784,623)	(529,679)	(1,887,701)	(1,293,351)
Income tax expense	1,376	10,057	3,310	24,557
Grant derecognition and amount recovery	-	(32,395)	-	(79,101)
Foreign exchange gain	(22,905)	(3,989)	(55,106)	(9,740)
<i>Operating result before working capital changes</i>	<u>(760,398)</u>	<u>(541,857)</u>	<u>(1,829,147)</u>	<u>(1,323,067)</u>
Change in receivables	(294,134)	420,530	(471,821)	1,015,600
Change in inventories	-	16,670	-	41,305
Change in payables	1,981	(22,748)	(2,449)	(56,609)
<i>Cash generated used in operations</i>	<u>(1,052,551)</u>	<u>(127,405)</u>	<u>(2,303,417)</u>	<u>(322,771)</u>
Grants received	1,177,350	173,427	2,832,551	423,468
Income tax paid	(15,662)	(3,462)	(37,681)	(8,453)
<i>Cash from operating activities</i>	<u>109,137</u>	<u>42,560</u>	<u>491,453</u>	<u>92,244</u>

Statement of cash flows (continued)

	In thousand drams		US dollar	
	Year ended December 31, 2014	Year ended December 31, 2013 (restated)	Year ended December 31, 2014	Year ended December 31, 2013 (restated)
Cash flows from investing activities				
Acquisition of property and equipment and intangible assets	(70,380)	(50,307)	(169,324)	(122,838)
<i>Net cash used in investing activities</i>	<u>(70,380)</u>	<u>(50,307)</u>	<u>(169,324)</u>	<u>(122,838)</u>
Net increase/(decrease) in cash and bank balances	38,757	(7,747)	322,129	(30,594)
Foreign exchange effect on cash	(4,765)	3,520	(11,464)	8,595
Foreign currency exchange difference	-	-	(280,641)	10,073
Cash and bank balances at the beginning of the year	<u>115,445</u>	<u>119,672</u>	<u>284,600</u>	<u>296,526</u>
Cash and bank balances at the end of the year	<u><u>149,437</u></u>	<u><u>115,445</u></u>	<u><u>314,624</u></u>	<u><u>284,600</u></u>

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 10 to 38.

Notes to the financial statements

1 Nature of operations and general information

Eurasia Partnership Foundation (the “Foundation”) was established on July 26, 2007. The founder of the Foundation is Eurasia Foundation, which was established in the USA and was registered in accordance with the legislation of the USA Columbia administrative territory on April 29, 1992.

The principle activities of the Foundation are to:

- promote the civil society development procedures;
- support the local self-governing reforms;
- support the community development;
- increase the role of youth in the society;
- support the independent media consistency and promote the development of multi-opinion society;
- promote the reforms in the fields of public policy and management;
- promote the private business development procedures.

The legal address of the Foundation is apt. 23, 1/21 Azatutyun Avenue, Yerevan, Republic of Armenia.

In 2014 the average number of employees of the Foundation was 14 (2013: 27).

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”) *Framework for Preparation and Presentation Financial Statements*. Where the general principles of IFRS, as detailed in IASB’s *Framework for Preparation and Presentation Financial Statements*, do not provide due guidance, the Foundation adopted, in accordance with IFRS, guidance of another generally accepted accounting principles, US GAAP (Generally Accepted Accounting Principles in the United States of America), for the accounting treatment of certain transactions and account balances.

2.2 Basis of measurement

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

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 and US dollars, 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.

Some narrative information in the notes is presented only in dram. In these cases the users should follow note 3.1 to obtain the relevant information in US dollars.

The accounting policy for translation of the dram denominated financial statements into US dollar is explained in note 3.1.

2.4 Use of estimates and judgment

The preparation of the 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 include recognition of contribution income, and recognition of grant expenses. These assumptions and estimates are explained in note 13 to the financial statements.

Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates and the original estimates and assumptions will be modified as appropriate in the year in which circumstances change.

2.5 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 activities and effective for annual reporting periods beginning on January 1, 2014.

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.

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:

IAS 24 Related Party Disclosures

Key management personnel

- amends the definition of a “related party” in order to include “management entities” that provide key management personnel services to the reporting entity
- requires the disclosure of the amounts recognized by the reporting entity as a service fee to a separate management entity for the provision of the key management personnel services
- provides a relief so that the reporting entity is not required to disclose components of the compensation to key management personnel where the compensation is paid via a management entity.

IAS 38 Intangible Assets

Revaluation method-proportionate restatement of accumulated amortization

- makes equivalent changes to the accounting of intangible assets, as described above for IAS 16 *Property, Plant and Equipment*.

The Annual Improvements 2010-2012 noted above are effective for annual periods beginning on or after July 1, 2014. Management does not anticipate a material impact on the Foundation's financial statements from these Amendments.

Annual Improvements 2012-2014

The Annual Improvements 2012-2014 made several minor amendments to a number of IFRSs. The amendments relevant to the Foundation are summarized below:

IFRS 7 Financial Instruments: Disclosures

The amendments provide additional guidance to help entities identify the circumstances under which a servicing contract is considered to be "continuing involvement" for the purposes of applying the disclosure requirements in paragraphs 42E-42H of IFRS 7. Such circumstances commonly arise when, for example, the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset or when a fixed fee is not paid in full due to non-performance of that asset.

IFRS 7 Financial Instruments: Disclosures

These amendments clarify that the additional disclosure required by the recent amendments to IFRS 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with IAS 34 *Interim Financial Reporting* when its inclusion would be necessary in order to meet the general principles of IAS 34.

The Annual Improvements 2012-2014 noted above are effective for annual periods beginning on or after July 1, 2016. Management does not anticipate a material impact on the Foundation's financial statements from these Amendments.

2.6 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. However, the correction did not have any impact on the financial results of the prior periods (refer to note 18).

3 Significant accounting policies

3.1 Foreign currencies

Foreign currency transactions

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 474.97 drams for 1 US dollar and 577.47 drams for 1 euro as of December 31, 2014 (December 31, 2013: 405.64 drams for 1 US dollar, 559.54 drams for 1 euro).

Exchange differences arising from foreign currency transactions, as well as on the settlement and retranslation of monetary items, are included in the result for the period.

Translation of financial statements into another currency

As presented in note 2.3 these financial statements are also presented in US dollars, since management believes that this currency is useful for the users of these financial statements. The assets and liabilities of the Foundation are translated from dram into US dollar at the exchange rate at the end of the reporting period. Revenues and expenses are translated into US dollar using average rate of the Republic of Armenia Central Bank for the period. The resulting exchange difference is recorded in net assets in the foreign currency translation reserve.

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 the statement of activities.

Capital repair expenditures on the leased areas are recognized as an item of property and equipment (as "Leasehold improvements"), if it is probable that the economic benefits related to these assets will flow to the Foundation.

Depreciation is charged to the statement of activities 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:

Leasehold improvements	- 5 years
Computer equipment	- 1 year
Fixture and fittings	- 5 years
Other	- 5 years.

3.3 Intangible assets

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

Amortization is charged to the result for the year on a straight line basis over the estimated useful lives of the intangible assets, which is estimated at 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 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.

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 the result or directly in other comprehensive income. Refer to note 14.2 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 the result are presented within finance costs, finance income or other financial items.

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.

Accounts receivable

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 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 (including from donors) are considered indicators that the receivable is impaired. The amount of 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 the result of the reporting period. All accounts receivable for which collection is not considered probable are written-off.

Grants expected from donors are stated as receivables, when as of the reporting date there is reasonable assurance that they will be received (refer to note 3.6). In the financial statements they are stated as grants receivables.

The amounts paid to sub-grantees in the framework of a sub-grant agreement are recognized in receivables as advances to sub-grantees until the sub-grantees submit documents supporting the expenses they incurred, in which case the advances are expensed (under the caption "Grant expenses").

Cash and bank balances

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

Classification and subsequent measurement of financial liabilities

A summary of the Foundation's financial liabilities by category is given in note 14.2.

i. Accounts payable

Accounts payable are stated at fair value and subsequently stated at amortized cost.

3.6 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 the result on a systematic and rational basis over the useful lives of the related assets.

Grants received unconditionally from the donors as a financial support or as a compensation for expenses and losses already incurred, are recognized in the result of the year, when they become receivable.

Cash from grants provided in the framework of the contract, where the Foundation acts as an agent of a sub-grantee, are recognized in the statement of financial position of the Foundation on their receipt, and are at the same time recognized as payable to sub-grantee in the amount that should further be translated to sub-grantee.

All grant income is recognized in the statement of financial position as deferred income when it becomes receivable, which is the date when the Foundation has entered into legally binding commitments. Deferred income is transferred to the statement of activities in line with the realization of the grant commitments. However, if the amount of deferred income turns out to be more than is required by the Foundation to meet its commitments, the surplus amount is deducted from the balance of the deferred income and the respective receivables from donors. The amount of this adjustment is not reflected in the statement of activities.

If the Foundation acts as a principal (not an agent) in the relationships with the sub-grantees, the recognition of income from deferred income arisen from such agreements is done in parallel with the implementation of the whole grant, and not at the point when the amounts stipulated in the sub-agreements are transferred to the sub-grantees.

Refer to note 13 for the management's judgments on grants recognition and calculation.

3.7 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 result. 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 results 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 result nor the accounting result.

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 results 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.

As a result of changes in the tax legislation of the Republic of Armenia, significant changes have been made to the principles of calculation of depreciation and amortization of the property and equipment and intangible assets. The annual amount of depreciation and amortization of property and equipment and intangible assets acquired after January 1, 2014 is calculated for groups of non-current assets - multiplying the carrying (residual) value of the assets in the group at the end of the reporting period and the annual depreciation or amortization rate stated for that group of assets.

The annual amount of depreciation and amortization of property and equipment and intangible assets acquired after January 1, 2014 is still calculated on a straight line basis.

3.8 Income recognition

Income 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.

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.

Revenue from rendered services incurred from researches, analysis and tests performed by the Foundation. It is recognized as of the reporting date in line with the stage to complete the service.

Income from grants and contributions

Income recognition policy is presented in note 3.6.

4 Property and equipment

	In thousand drams				In US dollar			
	Leasehold improvements	Computer equipment	Fixture and fittings	Total	Leasehold improvements	Computer equipment	Fixture and fittings	Total
<i>Cost</i>								
As of January 1, 2013 (restated)	-	45,403	12,449	57,852	-	112,502	30,846	143,348
Additions	27,812	4,316	18,179	50,307	67,910	10,539	44,389	122,838
Disposals	-	(19,273)	(9,122)	(28,395)	-	(47,060)	(22,274)	(69,334)
Internal movement	8,668	591	(9,259)	-	21,165	1,443	(22,608)	-
Foreign currency translation difference	-	-	-	-	856	(910)	(161)	(215)
As of December 31, 2013 (restated)	36,480	31,037	12,247	79,764	89,931	76,514	30,192	196,637
Additions	50,845	8,348	11,187	70,380	122,326	20,084	26,914	169,324
Disposals	253	-	(253)	-	609	-	(609)	-
Foreign currency translation difference	-	-	-	-	(28,479)	(13,677)	(7,692)	(49,848)
As of December 31, 2014	87,578	39,385	23,181	150,144	184,387	82,921	48,805	316,113
<i>Accumulated depreciation and impairment</i>								
As of January 1, 2013 (restated)	-	31,220	8,764	39,984	-	77,358	21,716	99,074
Charge for the year	2,432	6,409	2,952	11,793	5,938	15,649	7,208	28,795
Eliminated on disposal	-	(18,206)	(6,124)	(24,330)	-	(44,455)	(14,953)	(59,408)
Foreign currency translation difference	-	-	-	-	57	(670)	(185)	(798)
As of December 31, 2013 (restated)	2,432	19,423	5,592	27,447	5,995	47,882	13,786	67,663
Charge for the year	8,573	8,446	3,996	21,015	20,626	20,320	9,614	50,560
Foreign currency translation difference	-	-	-	-	(3,451)	(9,527)	(3,213)	(16,191)
As of December 31, 2014	11,005	27,869	9,588	48,462	23,170	58,675	20,187	102,032
<i>Carrying amount</i>								
As of December 31, 2013 (restated)	34,048	11,614	6,655	52,317	83,936	28,632	16,406	128,974
As of December 31, 2014	76,573	11,516	13,593	101,682	161,217	24,246	28,618	214,081

According to the contract on the gratuitous use of assets signed between the Foundation and the Eurasia Foundation (USA), apartments 22 and 23 on 1/21 Azatutyan avenue, Yerevan, Republic of Armenia were provided to the Foundation by the Eurasia Foundation for a free use, exceptionally not for commercial purposes, to be used as an office territory. According to the contract, the Foundation was obliged to repair the apartments using its own resources. Capital expenditures on repair are included in the property and equipment as "Leasehold improvements".

The disposals of 2013 include the property and equipment transferred to the "Caucasus Research Resource Centers-Armenia" Foundation with the carrying amount of drams 7,483 thousand, as well as the write-offs of the carrying amounts of certain items of the property and equipment, which are out of use.

Acquisitions of the items of the property and equipment were done using the resources of the following grants (refer to note 6):

	In thousand drams		In US dollar	
	Year ended December 31, 2014	Year ended December 31, 2013 (restated)	Year ended December 31, 2014	Year ended December 31, 2013 (restated)
Embassy of the United States of America	27,111	-	65,226	-
European Union	21,977	-	52,874	-
Embassy of the Kingdom of the Netherlands	9,654	-	23,226	-
Embassy of the United Kingdom of Great Britain and Northern Ireland	6,844	-	16,466	-
Media Initiatives Center NGO	1,031	-	2,480	-
Center for Agribusiness and Rural Development Center	983	-	2,365	-
"Orange Armenia" CJSC	335	3,656	806	8,927
Eurasia Foundation	253	44,879	609	109,584
Other	2,192	1,772	5,272	4,327
	<u>70,380</u>	<u>50,307</u>	<u>169,324</u>	<u>122,838</u>

5 Accounts receivable

	In thousand drams		In US dollar	
	As of December 31, 2014	As of December 31, 2013 (restated)	As of December 31, 2014	As of December 31, 2013 (restated)
Grants receivable	251,044	1,128,506	528,546	2,782,037
Advances to sub-grantees	292,466	-	615,757	-
Other advances	13,195	240	27,781	592
Receivables from the State budget	1,923	1,336	4,049	3,294
Other	-	2,044	-	5,039
	<u>558,628</u>	<u>1,132,126</u>	<u>1,176,133</u>	<u>2,790,962</u>

All amounts are short-term.

Management believes that the receivables from the State budget are fully recoverable.

The grants receivables are disclosed below:

	In thousand drams		In US dollar	
	As of December 31, 2014	As of December 31, 2013 (restated)	As of December 31, 2014	As of December 31, 2013 (restated)
European Union	251,044	1,119,019	528,546	2,758,649
Embassy of the United Kingdom of Great Britain and Northern Ireland	-	9,487	-	23,388
	<u>251,044</u>	<u>1,128,506</u>	<u>528,546</u>	<u>2,782,037</u>

Advances to sub-grantees are disclosed below:

	In thousand drams		In US dollar	
	As of December 31, 2014	As of December 31, 2013 (restated)	As of December 31, 2014	As of December 31, 2013 (restated)
Anadolu Culture	43,599	-	91,793	-
"Public Journalism Club" NGO	11,859	-	24,968	-
Economic Policy Research Foundation	31,211	-	65,712	-
Hrant Dink Foundation	74,789	-	157,460	-
Civilitas Foundation	40,528	-	85,327	-
"Local Research Center" NGO	16,205	-	34,118	-
Helsinki Citizen Assembly	9,525	-	20,054	-
Caucasus Research Resource Center	28,185	-	59,341	-
Media Initiatives Center NGO	10,437	-	21,974	-
Urban Foundation for Sustainable Development	5,719	-	12,041	-
Other	20,409	-	42,969	-
	<u>292,466</u>	<u>-</u>	<u>615,757</u>	<u>-</u>

Other advances refer to the payments for the services to be received.

6 Grants related to assets

	In thousand drams		In US dollar	
	2014	2013 (restated)	2014	2013 (restated)
Balance at the beginning of year	53,250	19,017	131,274	47,121
Additions (refer to note 4)	70,380	50,307	169,325	122,838
Realized to income (refer to note 9)	(21,230)	(16,074)	(51,076)	(39,249)
Foreign currency translation difference	-	-	(33,930)	564
Balance at the end of year	<u>102,400</u>	<u>53,250</u>	<u>215,593</u>	<u>131,274</u>

7 Accounts payable

	In thousand drams		In US dollar	
	As of December 31, 2014	As of December 31, 2013 (restated)	As of December 31, 2014	As of December 31, 2013 (restated)
Employee benefits payables	16,415	14,864	34,560	36,644
Payables to the State budget	1,828	25	3,849	62
Other	2,130	3,503	4,484	8,636
	<u>20,373</u>	<u>18,392</u>	<u>42,893</u>	<u>45,342</u>

8 Deferred income

	In thousand drams		In US dollar	
	2014	2013 (restated)	2014	2013 (restated)
Balance at the beginning of year	1,199,474	495,288	2,956,991	1,227,236
Additions	284,576	1,300,493	684,653	3,175,497
Recovered amount	-	(3,864)	-	(9,435)
Grant derecognition	-	(28,531)	-	(69,666)
Reclassification to grants related to assets (refer to note 6)	(70,380)	(50,307)	(169,325)	(122,838)
Realized to income (refer to note 9)	(763,393)	(513,605)	(1,836,625)	(1,254,102)
Foreign currency translation difference	-	-	(266,603)	10,299
Balance at the end of year	<u>650,277</u>	<u>1,199,474</u>	<u>1,369,091</u>	<u>2,956,991</u>

Grant derecognition is related to derecognition of funds received from the Eurasia Foundation. Deferred income and the respective grants receivables of drams 28,531 thousand were derecognized.

Additions represent contributions accrued from the following organizations:

	In thousand drams		In US dollar	
	2014	2013 (restated)	2014	2013 (restated)
European Union	-	1,119,019	-	2,732,380
Embassy of the United States of America	118,788	-	285,789	-
Internews Media Support NGO	1,593	64,733	3,833	158,063
Embassy of the Kingdom of the Netherlands	67,441	44,798	162,254	109,386
Embassy of the United Kingdom of Great Britain and Northern Ireland	49,230	48,274	118,441	117,874
Other	47,524	23,669	114,336	57,794
	<u>284,576</u>	<u>1,300,493</u>	<u>684,653</u>	<u>3,175,497</u>

The balance of deferred income by sources is presented below:

	In thousand drams		In US dollar	
	As of December 31, 2014	As of December 31, 2013 (restated)	As of December 31, 2014	As of December 31, 2013 (restated)
European Union	540,238	1,119,019	1,137,415	2,758,651
Embassy of the United States of America	28,536	5,486	60,080	13,524
Embassy of the Kingdom of the Netherlands	22,240	41,754	46,824	102,934
Community Financiers Union	13,508	-	28,440	-
Other	45,755	33,215	96,332	81,882
	<u>650,277</u>	<u>1,199,474</u>	<u>1,369,091</u>	<u>2,956,991</u>

9 Income from grants and contributions

	In thousand drams		In US dollar	
	Year ended December 31, 2014	Year ended December 31, 2013 (restated)	Year ended December 31, 2014	Year ended December 31, 2013 (restated)
Income from deferred income (refer to note 8)	763,393	513,605	1,836,625	1,254,102
Income from grants related to assets (refer to note 6)	21,230	16,074	51,076	39,249
	<u>784,623</u>	<u>529,679</u>	<u>1,887,701</u>	<u>1,293,351</u>

Income from grants and contributions by sources is presented below:

	In thousand drams		In US dollar	
	Year ended December 31, 2014	Year ended December 31, 2013 (restated)	Year ended December 31, 2014	Year ended December 31, 2013 (restated)
European Union	556,803	-	1,339,596	-
Embassy of the United States of America	68,626	-	165,105	-
Eurasia Foundation	2,703	145,253	6,503	354,674
Internews Media Support NGO	5,984	243,840	14,397	595,400
Mission East Humanitarian Aid Organization	-	25,776	-	62,939
Embassy of the United Kingdom of Great Britain and Northern Ireland	30,381	32,545	73,093	79,467
Embassy of the Kingdom of the Netherlands	77,299	21,674	185,971	52,923
Other	42,827	60,591	103,036	147,948
	<u>784,623</u>	<u>529,679</u>	<u>1,887,701</u>	<u>1,293,351</u>

10 Grant expenses

	In thousand drams		In US dollar	
	Year ended December 31, 2014	Year ended December 31, 2013 (restated)	Year ended December 31, 2014	Year ended December 31, 2013 (restated)
"Caucasus Research Resource Centers-Armenia" Foundation	2,860	50,032	6,881	122,167
International Center for Human Development NGO	-	17,395	-	42,474
"Aravot" International Development Center LLC	-	10,372	-	25,326
Center for the Development of Civil Society Foundation NGO	-	12,247	-	29,904
Investigating journalists NGO	-	10,265	-	25,065
Media Initiatives Center NGO	22,900	-	55,094	-
Armenian Helsinki Committee Human Rights NGO	19,760	-	47,540	-
Urban Foundation for Sustainable Development	5,074	-	12,207	-
European Union	430,271	-	1,035,176	-
Other	86,577	171,368	208,294	418,440
	<u>567,442</u>	<u>271,679</u>	<u>1,365,192</u>	<u>663,376</u>

11 Other financial items

	In thousand drams		In US dollar	
	Year ended December 31, 2014	Year ended December 31, 2013 (restated)	Year ended December 31, 2014	Year ended December 31, 2013 (restated)
Gain/(loss) from exchange differences on:				
Loans and receivables	22,905	4,951	55,106	12,089
Financial liabilities measured at amortized cost	-	(962)	-	(2,349)
	<u>22,905</u>	<u>3,989</u>	<u>55,106</u>	<u>9,740</u>

12 Income tax expense

	In thousand drams		In US dollar	
	Year ended December 31, 2014	Year ended December 31, 2013 (restated)	Year ended December 31, 2014	Year ended December 31, 2013 (restated)
Current tax	1,376	10,057	3,310	24,557
Deferred tax	-	-	-	-
	<u>1,376</u>	<u>10,057</u>	<u>3,310</u>	<u>24,557</u>

Reconciliation of effective tax rate is as follows:

	In thousand drams	In US dollar	Effective tax rate (%)	In thousand drams	In US dollar	Effective tax rate (%)
	Year ended December 31, 2014	Year ended December 31, 2014		Year ended December 31, 2013 (restated)	Year ended December 31, 2013 (restated)	
Result before taxation (under IFRS)	<u>25,900</u>	<u>62,313</u>	-	<u>8,132</u>	<u>19,857</u>	
Tax calculated at a tax rate of 20% (2013: 20%)	5,180	12,463	20.00	1,626	3,971	20.00
(Non-taxable)/non-deductible items, net	<u>(3,804)</u>	<u>(9,153)</u>	<u>(14.69)</u>	<u>8,431</u>	<u>20,586</u>	<u>103.67</u>
Income tax expense	<u>1,376</u>	<u>3,310</u>	<u>5.31</u>	<u>10,057</u>	<u>24,557</u>	<u>123.67</u>

13 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.

13.1 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

The estimation of the useful lives of items of property and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Foundation. The following primary factors are considered:

- expected usage of the assets;
- expected physical wear and tear, which depends on operational factors and maintenance programme;
- technical or commercial obsolescence arising from changes in market conditions.

If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

Grants recognition

As disclosed in note 3.6, 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. For each grant agreement management estimates the probability that it will satisfy the conditions attached to the grant, and that the grant will be received. In doing so, management relies on the previous experience with the donor, as well as the capabilities of the Foundation to completely implement the grant. If management estimates that the Foundation will be able to satisfy the conditions attached to the grant, and that the donor is ready to completely transfer the grant amounts, such grants are immediately recognized in the financial statements (as grants receivable and deferred income), when the respective grant agreement is signed. However, if the management is mistaken in its estimates, the financial statements may be adjusted, and those adjustments may be significant to the financial statements of the Foundation.

Relationships with sub-grantees

The Foundation has signed grant agreements, according to which the grants should be realized with other parties (sub-grantees). For this purpose the Foundation signs sub-grant agreements with those parties. In the framework of such agreements the Foundation receives grants from the donors and distributes them to sub-grantees, according to the approved budget. Management of the Foundation uses judgments in deciding if income from grants and expenses related to it should be completely recognized in the financial statements of the Foundation. Those judgments are based on the following factors:

- whether the Foundation selects the sub-grantees or not;
- whether the Foundation has the right to control sub-grantee's expenses and require documents supporting those expenses or not;
- whether the Foundation is responsible for the result provided by sub-grantees or not;
- whether the Foundation is responsible to the donor for sub-grantees, who have not duly realized the grant or have otherwise behaved bad or not;
- whether other such factors, which may certify whether the Foundation may be brought to responsibility instead of sub-grantees or not.

If the management of the Foundation concludes that the Foundation acts as an agent in the relationships with sub-grantees, it does not recognize any income or expense provided or incurred by sub-grantee. Cash received for the transfer to sub-grantees are recognized in the financial statements of the Foundation's payables to sub-grantees, upon receiving the cash.

Capitalized expenditures on the leased assets

As disclosed in note 4, the capital expenditures incurred on the apartments transferred to the Foundation with the free rights of use are considered as the assets of the Foundation, since, according to the estimates of the management, the Foundation receives economic benefits from the use of those assets. These capitalized expenditures are depreciated over 5 years, which, according to management, is a reasonable estimate of useful lives of those assets.

14 Financial instruments

14.1 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, financial liability and equity instrument are disclosed in note 3.5.

14.2 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		In US dollar	
	As of December 31, 2014	As of December 31, 2013 (restated)	As of December 31, 2014	As of December 31, 2013 (restated)
Loans and receivables				
Accounts receivable	251,044	1,130,550	528,546	2,787,076
Cash and bank balances	149,437	115,445	314,624	284,600
	<u>400,481</u>	<u>1,245,995</u>	<u>843,170</u>	<u>3,071,676</u>

Financial liabilities

	In thousand drams		In US dollar	
	As of December 31, 2014	As of December 31, 2013 (restated)	As of December 31, 2014	As of December 31, 2013 (restated)
Financial liabilities measured at amortized cost:				
Accounts payable	18,545	18,367	39,043	8,636
	<u>18,545</u>	<u>18,367</u>	<u>39,043</u>	<u>8,636</u>

15 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.

The Board of Trustees of the Foundation is responsible for the effective financial risk management system as well as for the development of financial risk management policy. The Board of Trustees regularly revises this system and policy to reflect the current market changes.

The most significant financial risks to which the Foundation is exposed are described below.

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 result from both its operating and investing activities.

Foreign currency risk

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

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	In thousand drams	
	US dollar	Euro
As of December 31, 2014		
<i>Financial assets</i>		
Accounts receivable	251,044	-
Cash and bank balances	29,710	103,580
	<u>280,754</u>	<u>103,580</u>
<i>Financial liabilities</i>		
Accounts payable	-	-
	<u>-</u>	<u>-</u>
Net position	<u>280,754</u>	<u>103,580</u>

Item	In thousand drams	
	US dollar	Euro
As of December 31, 2013 (restated)		
<i>Financial assets</i>		
Accounts receivable	24,192	-
Cash and bank balances	1,152,698	78,371
	<u>1,176,890</u>	<u>78,371</u>
<i>Financial liabilities</i>		
Accounts payable	-	-
	<u>-</u>	<u>-</u>
Net position	<u>1,176,890</u>	<u>78,371</u>

The following table details the Foundation's sensitivity to a 10% (2013: 7%) increase and decrease in dram against US dollar. 10% (2013: 7%) 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% (2013: 7%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Euro by 10% (2013: 7%) then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2014	2013 (restated)	2014	2013 (restated)
Result	28,075	82,382	10,358	5,486

US dollar	US dollar impact		Euro impact	
	2014	2013 (restated)	2014	2013 (restated)
Result	59,110	173,447	25,535	13,524

Exposures to foreign exchange rates vary during the year depending on the grants received in foreign currency. 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, especially the amounts expected from donors. Management believes that the credit risk on these amounts is low, since the practice with those donors shows that donors always transfer the agreed amounts. The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

	In thousand drams		In US dollar	
	As of December 31, 2014	As of December 31, 2013 (restated)	As of December 31, 2014	As of December 31, 2013 (restated)
Financial assets at carrying amounts				
Accounts receivable	251,044	1,130,550	528,546	2,787,076
Cash and bank balances	149,437	115,445	314,624	284,600
	<u>400,481</u>	<u>1,245,995</u>	<u>843,170</u>	<u>3,071,676</u>

The credit risk for bank balances is considered negligible, since the counterparties are reputable banks, which have a credit rating of BBB- by Fitch international rating agency.

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 considers expected cash flows (including grants from donors) from financial assets in assessing and managing liquidity risk, particularly its cash resources. The Foundation's cash resources exceed the current cash outflow requirements.

16 Commitments

16.1 Business environment

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

Deterioration of economic situation of countries collaborating with the Republic of Armenia led to the shortage of money transfers from abroad, upon which the economy of Armenia is significantly dependant. Further decline in international prices of mining products, uncertainties due to possibilities of attraction of direct capital investments, inflation, may lead to deterioration of the situation of Armenian economy and of the Foundation. However, as the number of variables and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Foundation may be affected.

Management of the Foundation believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Foundation.

16.2 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 activities. 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 affect on the Foundation's activities and financial position.

16.3 Taxes

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

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

17 Related parties

The Foundation's related parties include the members of the board of trustees of the Foundation and its Executive Director.

17.1 Transactions with management

Executive Director received the following remuneration during the year, which is included in employee benefits.

	In thousand drams		In US dollar	
	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Salaries and bonuses	57,444	55,427	138,203	135,340

18 Restatement of comparative financial statements

As disclosed in note 2.6, the policy of the Foundation is the retrospective adjustment of mistakes disclosed in the current year.

During 2014 management of the Foundation has decided that some items of the statement of financial position as of December 31, 2013 and as of December 31, 2012 and some items of the statement of activities for the years ended December 31, 2013 and December 31, 2012 are not stated properly. As a result, those mistakes have been adjusted in the reporting period as follows:

In the statement of financial position as of December 31, 2013:

In thousand drams	As of December 31, 2013 (before restatement)	Restatement	As of December 31, 2013 (restated)
Assets			
<i>Non-current assets</i>			
Property and equipment	29,376	22,941	52,317
Intangible assets	933	-	933
Deferred income tax assets	2,973	(2,973)	-
	<u>33,282</u>	<u>19,968</u>	<u>53,250</u>
<i>Current assets</i>			
Accounts receivable	1,318,913	(186,787)	1,132,126
Cash and bank balances	115,445	-	115,445
	<u>1,434,358</u>	<u>(186,787)</u>	<u>1,247,571</u>
Total assets	<u><u>1,467,640</u></u>	<u><u>(166,819)</u></u>	<u><u>1,300,821</u></u>
Liabilities and net assets			
<i>Non-current liabilities</i>			
Grants related to assets	30,310	22,940	53,250
	<u>30,310</u>	<u>22,940</u>	<u>53,250</u>
<i>Current liabilities</i>			
Accounts payable	19,779	(1,387)	18,392
Deferred income	1,345,586	(146,112)	1,199,474
Current income tax liabilities	8,042	-	8,042
	<u>1,373,407</u>	<u>(147,499)</u>	<u>1,225,908</u>
<i>Net assets</i>			
Accumulated result (unrestricted)	63,923	(42,260)	21,663
Total liabilities and net assets	<u><u>1,467,640</u></u>	<u><u>(166,819)</u></u>	<u><u>1,300,821</u></u>

Details of restatement are presented below:

In thousand drams	As of December 31, 2013 (before restatement)	Adjustments N							Total	As of December 31, 2013 (restated)
		1	2	3	4	5	6	7		
Assets										
<i>Non-current assets</i>										
Property and equipment	29,376	22,941	-	-	-	-	-	-	22,941	52,317
Intangible assets	933	-	-	-	-	-	-	-	-	933
Deferred tax assets	2,973	-	(2,973)	-	-	-	-	-	(2,973)	-
	<u>33,282</u>	<u>22,941</u>	<u>(2,973)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,968</u>	<u>53,250</u>
<i>Current assets</i>										
Accounts receivable	1,318,913	(87)	-	(196,187)	9,487	-	-	-	(186,787)	1,132,126
Cash and bank balances	115,445	-	-	-	-	-	-	-	-	115,445
	<u>1,434,358</u>	<u>(87)</u>	<u>-</u>	<u>(196,187)</u>	<u>9,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(186,787)</u>	<u>1,247,571</u>
Total assets	<u>1,467,640</u>	<u>22,854</u>	<u>(2,973)</u>	<u>(196,187)</u>	<u>9,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(166,819)</u>	<u>1,300,821</u>
Liabilities and net assets										
<i>Non-current liabilities</i>										
Grants related to assets	30,310	-	-	-	-	22,940	-	-	22,940	53,250
	<u>30,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,940</u>	<u>-</u>	<u>-</u>	<u>22,940</u>	<u>53,250</u>
<i>Current liabilities</i>										
Accounts payable	19,779	-	-	-	-	-	(1,387)	-	(1,387)	18,392
Deferred income	1,345,586	-	-	-	9,487	(28,152)	-	(127,447)	(146,112)	1,199,474
Current income tax liabilities	8,042	-	-	-	-	-	-	-	-	8,042
	<u>1,373,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,487</u>	<u>(28,152)</u>	<u>(1,387)</u>	<u>(127,447)</u>	<u>(147,499)</u>	<u>1,225,908</u>
<i>Net assets</i>										
Accumulated result (unrestricted)	23,106	-	(3,072)	(88,124)	-	-	-	231,365	140,169	163,275
Profit for the year	40,817	22,854	99	(108,063)	-	5,212	1,387	(103,918)	(182,429)	(141,612)
	<u>63,923</u>	<u>22,854</u>	<u>(2,973)</u>	<u>(196,187)</u>	<u>-</u>	<u>5,212</u>	<u>1,387</u>	<u>127,447</u>	<u>(42,260)</u>	<u>21,663</u>
Total liabilities and net assets	<u>1,467,640</u>	<u>22,854</u>	<u>(2,973)</u>	<u>(196,187)</u>	<u>9,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(166,819)</u>	<u>1,300,821</u>

- (1) Increase in the property and equipment of drams 22,941 thousand relates to the capitalization of renovation expenditure on the leased apartments, which were expensed in the previous year (drams 28,065 thousand), capitalization of VAT subject for offsetting (drams 87 thousand) and adjustment to the depreciation expense (drams 5,211 thousand). These renovation expenditures were expensed through the statement of activities. Accordingly, the results for the year increased by drams 22,854 thousand, whereas the accounts receivable decreased by drams 87 thousand.
- (2) Deferred income tax assets of drams 2,973 thousand were derecognized due to uncertainties related to their realization as of that date.
- (3) The balance of the provided advances to sub-grantees was adjusted by drams 196,187 thousand, since management of the Foundation did not record in the correct accounting period the expenses incurred by the sub-grantees, which is evidenced by the advance reports submitted by them (in accordance with the accounting policies of the Foundation, refer to note 3.5 *Accounts receivable*). According to the accounting policies of the Foundation, the Foundation should decrease the balance of advances provided to sub-grantees (by recognizing grant expenses) once it receives justified advance reports from the sub-grantees on incurrence of eligible expenses. Of this amount drams 108,063 thousand of grant expenses were adjusted in 2013 and accordingly, recognized in the current year statement of activities, whereas grant expenses of drams 88,124 were recognized in prior years and accordingly were taken directly to accumulated result.
- (4) The balance of grants receivable was adjusted by drams 9,487 thousand, since management of the Foundation did not record grants and contributions to be received (in accordance with the accounting policies of the Foundation, refer to note 3.5 *Accounts receivable*). According to this accounting policy, grants expected from donors are recognized as receivables, when there is reasonable assurance that they will be received. In the financial statements they are stated as grants receivables and respectively deferred income.
- (5) Grants related to assets were increased by drams 22,940 thousand relate to the adjustment explained in the point (1) above.
- (6) The accounts payable (advances received) of drams 1,387 thousand were written off, since they related to a service agreement, which was completed as of December 31, 2013.
- (7) Deferred income were decreased by drams 127,447 thousand, which is explained by the difference between the decrease of (debiting to) deferred income in 2013 of the amount of drams 103,918 thousand (related to the use of grants received) and the amount of income of drams 231,365 thousand, which was recognized by debiting the deferred income account in previous years.

In the statement of financial position as of January 1, 2013:

In thousand drams	As of January 1, 2013 (before restatement)	Restatement	As of January 1, 2013 (restated)
Assets			
<i>Non-current assets</i>			
Property and equipment	17,868	-	17,868
Intangible assets	1,149	-	1,149
Deferred income tax assets	3,072	(3,072)	-
	<u>22,089</u>	<u>(3,072)</u>	<u>19,017</u>
<i>Current assets</i>			
Inventories	16,670	-	16,670
Accounts receivable	506,341	(80,859)	425,482
Cash and bank balances	119,672	-	119,672
	<u>642,683</u>	<u>(80,859)</u>	<u>561,824</u>
Total assets	<u>664,772</u>	<u>(83,931)</u>	<u>580,841</u>
Liabilities and net assets			
<i>Non-current liabilities</i>			
Grants related to assets	19,449	(432)	19,017
	<u>19,449</u>	<u>(432)</u>	<u>19,017</u>
<i>Current liabilities</i>			
Trade and other payables	41,501	-	41,501
Deferred income	579,268	(83,980)	495,288
Current income tax liabilities	1,447	-	1,447
	<u>622,216</u>	<u>(83,980)</u>	<u>538,236</u>
<i>Net assets</i>			
Accumulated result (unrestricted)	<u>23,107</u>	<u>481</u>	<u>23,588</u>
Total liabilities and net assets	<u>664,772</u>	<u>(83,931)</u>	<u>580,841</u>

Details of restatement are presented below:

In thousand drams	As of January 1, 2013 (before restatement)	Adjustments N					Total	As of January 1, 2013 (restated)
		1	2	3	4	5		
Assets								
<i>Non-current assets</i>								
Property and equipment	17,868	-	-	-	-	-	-	17,868
Intangible assets	1,149	-	-	-	-	-	-	1,149
Deferred tax assets	3,072	(3,072)	-	-	-	-	(3,072)	-
	<u>22,089</u>	<u>(3,072)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,072)</u>	<u>19,017</u>
<i>Current assets</i>								
Inventories	16,670	-	-	-	-	-	-	16,670
Accounts receivable	506,341	-	(227,893)	147,034	-	-	(80,859)	425,482
Cash and bank balances	119,672	-	-	-	-	-	-	119,672
	<u>642,683</u>	<u>-</u>	<u>(227,893)</u>	<u>147,034</u>	<u>-</u>	<u>-</u>	<u>(80,859)</u>	<u>561,824</u>
Total assets	<u>664,772</u>	<u>(3,072)</u>	<u>(227,893)</u>	<u>147,034</u>	<u>-</u>	<u>-</u>	<u>(83,931)</u>	<u>580,841</u>
Liabilities and net assets								
<i>Non-current liabilities</i>								
Grants related to assets	19,449	-	-	-	(432)	-	(432)	19,017
	<u>19,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(432)</u>	<u>-</u>	<u>(432)</u>	<u>19,017</u>
<i>Current liabilities</i>								
Trade and other payables	41,501	-	-	-	-	-	-	41,501
Deferred income	579,268	-	-	147,034	432	(231,446)	(83,980)	495,288
Current income tax liabilities	1,447	-	-	-	-	-	-	1,447
	<u>622,216</u>	<u>-</u>	<u>-</u>	<u>147,034</u>	<u>432</u>	<u>(231,446)</u>	<u>(83,980)</u>	<u>538,236</u>
<i>Net assets</i>								
Accumulated result (unrestricted)	23,107	(3,072)	(227,893)	-	-	231,446	481	23,588
	<u>23,107</u>	<u>(3,072)</u>	<u>(227,893)</u>	<u>-</u>	<u>-</u>	<u>231,446</u>	<u>481</u>	<u>23,588</u>
Total liabilities and net assets	<u>664,772</u>	<u>(3,072)</u>	<u>(227,893)</u>	<u>147,034</u>	<u>-</u>	<u>-</u>	<u>(83,931)</u>	<u>580,841</u>

- (1) Deferred income tax assets of drams 3,072 thousand were derecognized due to uncertainties related to their realization as of that date.
- (2) The balance of the provided advances to sub-grantees was adjusted by drams 227,893 thousand, since management of the Foundation did not record in the correct accounting period the expenses incurred by the sub-grantees, which is evidenced by the advance reports submitted by them (in accordance with the accounting policies of the Foundation refer to note 3.5 *Accounts receivable*). According to the accounting policies of the Foundation, the Foundation should decrease the balance of advances provided to sub-grantees (by recognizing grant expenses) once it receives justified advance reports from the sub-grantees on incurrence of eligible expenses. This amount was recognized directly in accumulated result.
- (3) The balance of grants receivable was adjusted by drams 147,034 thousand, since management of the Foundation did not record grants and contributions to be received (in accordance with the accounting policies of the Foundation, refer to note 3.5 *Accounts receivable*). According to this accounting policy, grants expected from donors are recognized as receivables, when there is reasonable assurance that they will be received. In the financial statements they are stated as grants receivables and respectively deferred income.
- (4) Grants related to assets were decreased by drams 432 thousand related to the adjustment of the balances of deferred income and grants related to assets.
- (5) Deferred income was decreased by drams 231,446 thousand, which reflects the use of deferred income, and accordingly recognition of income in the statement of activities.



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