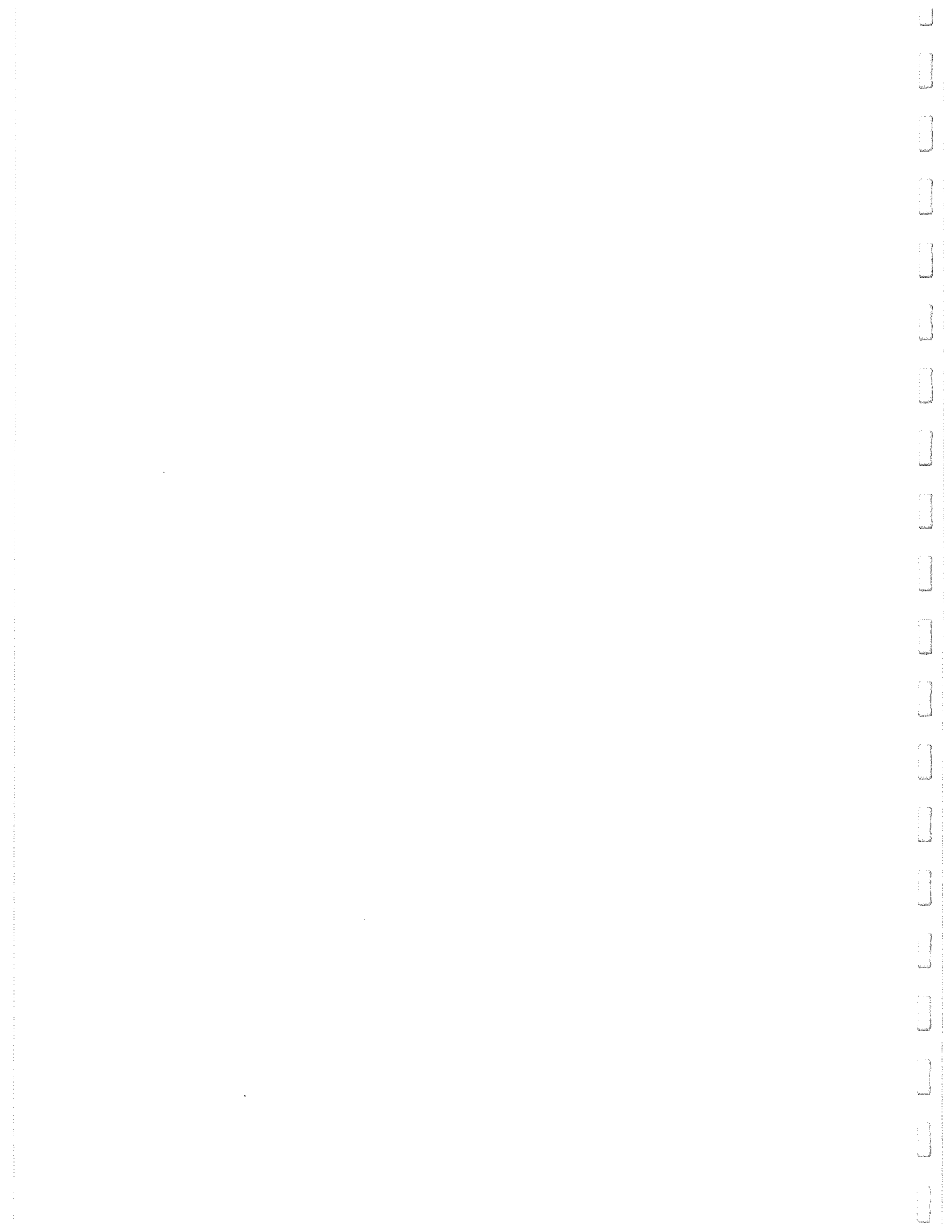


**Financial Statements
and Independent Auditor's Report**

**“Children of Armenia” Charitable
Fund**

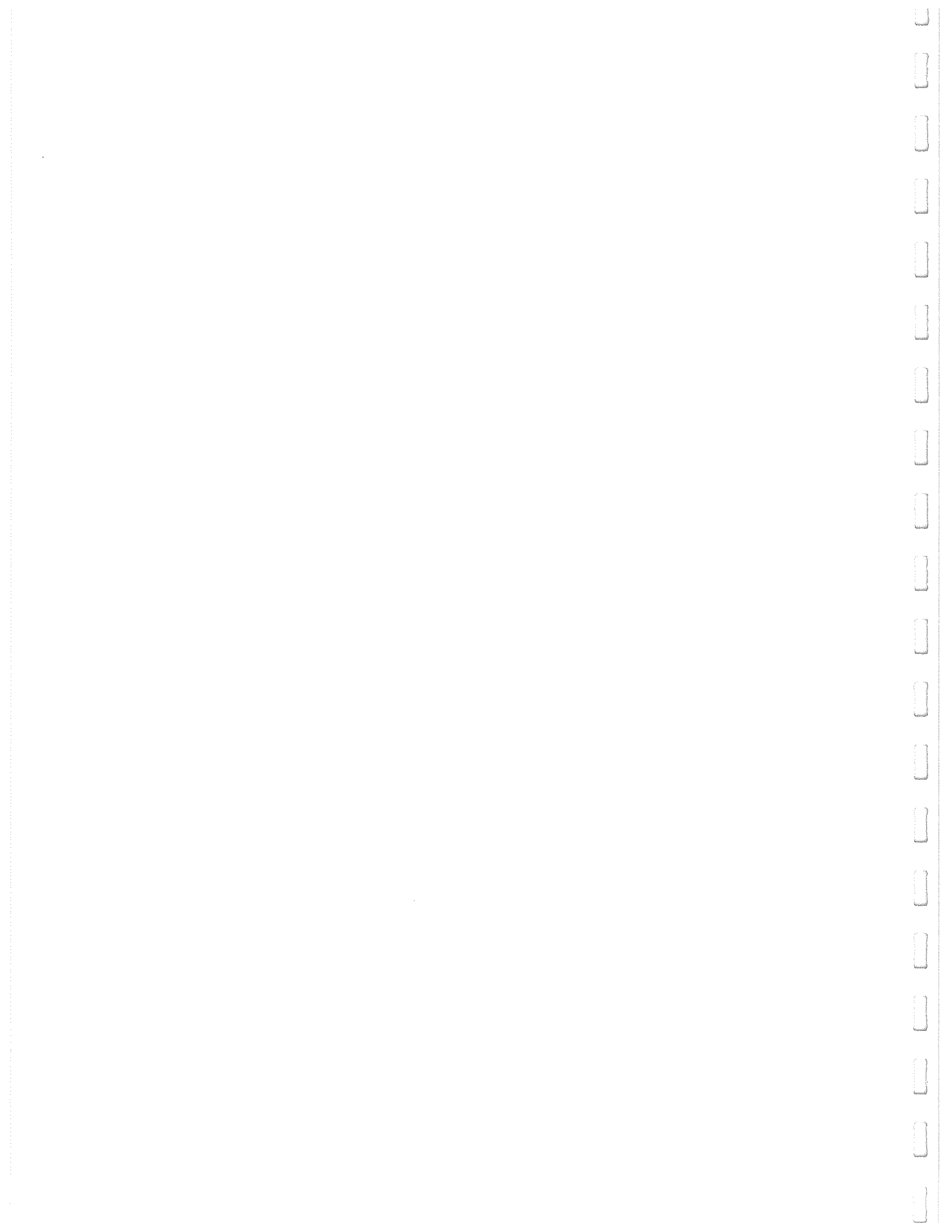
31 December 2023





Contents

Independent auditor's report	3
Members of the Board of Trustees as of 31 December 2023	5
Statement of financial position	6
Statement of activities	7
Statement of changes in net assets	8
Statement of cash flows	9
Notes to the financial statements	10



Independent auditor's report

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To the Board of Trustees of “Children of Armenia” Charitable Fund

Opinion

We have audited the financial statements of “Children of Armenia” Charitable Fund (the “Fund”), which comprise the statement of financial position as of 31 December 2023, and the statement of activities, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as of 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

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 *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (the “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 those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 IFRSs, 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 Fund’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 those authorized by the legislation of the Republic of Armenia either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund’s financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

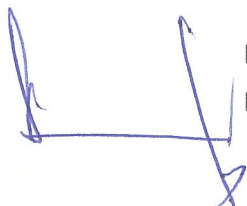
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Fund 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.

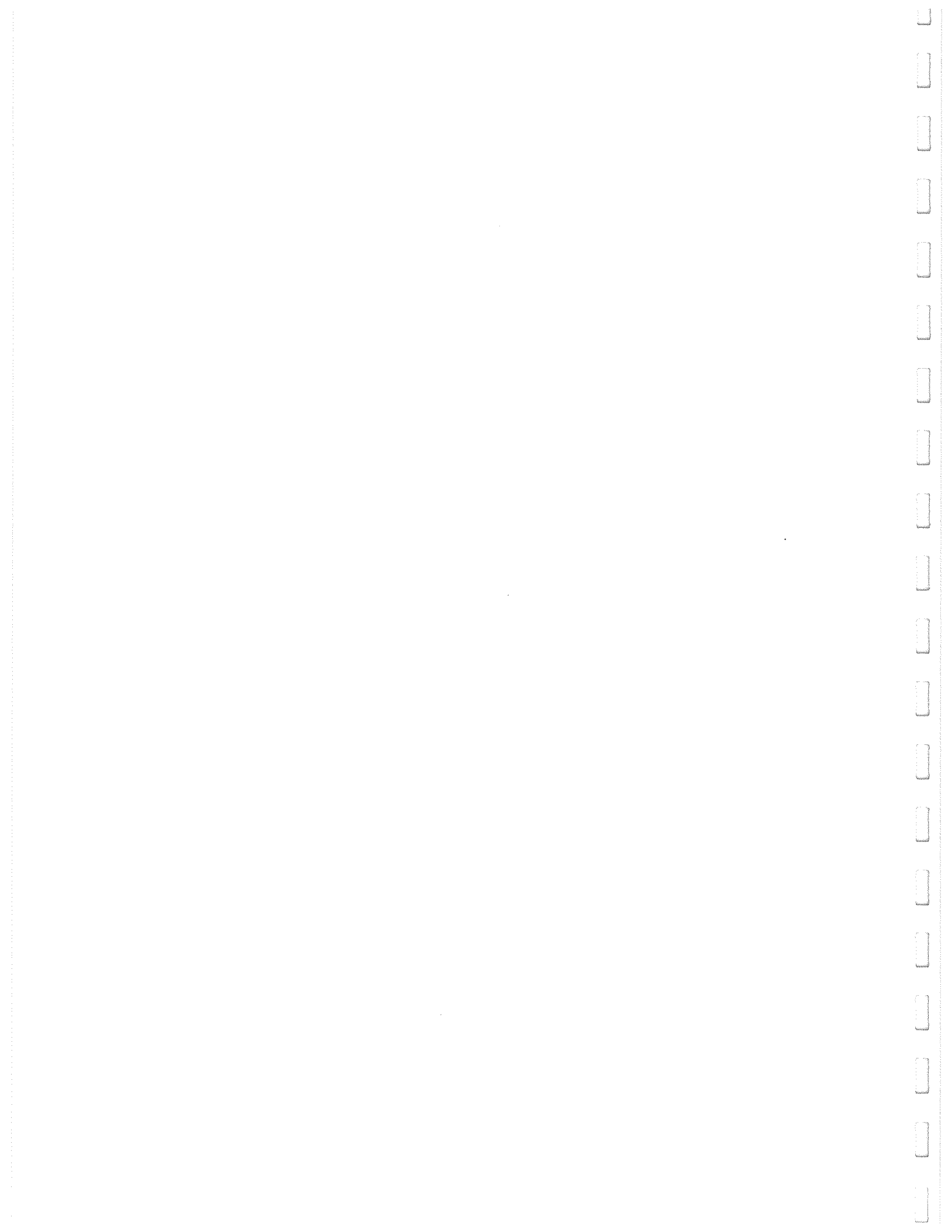
Armen Hovhannisyan
Chief Executive Officer



Emil Vassilyan, FCCA
Engagement Partner



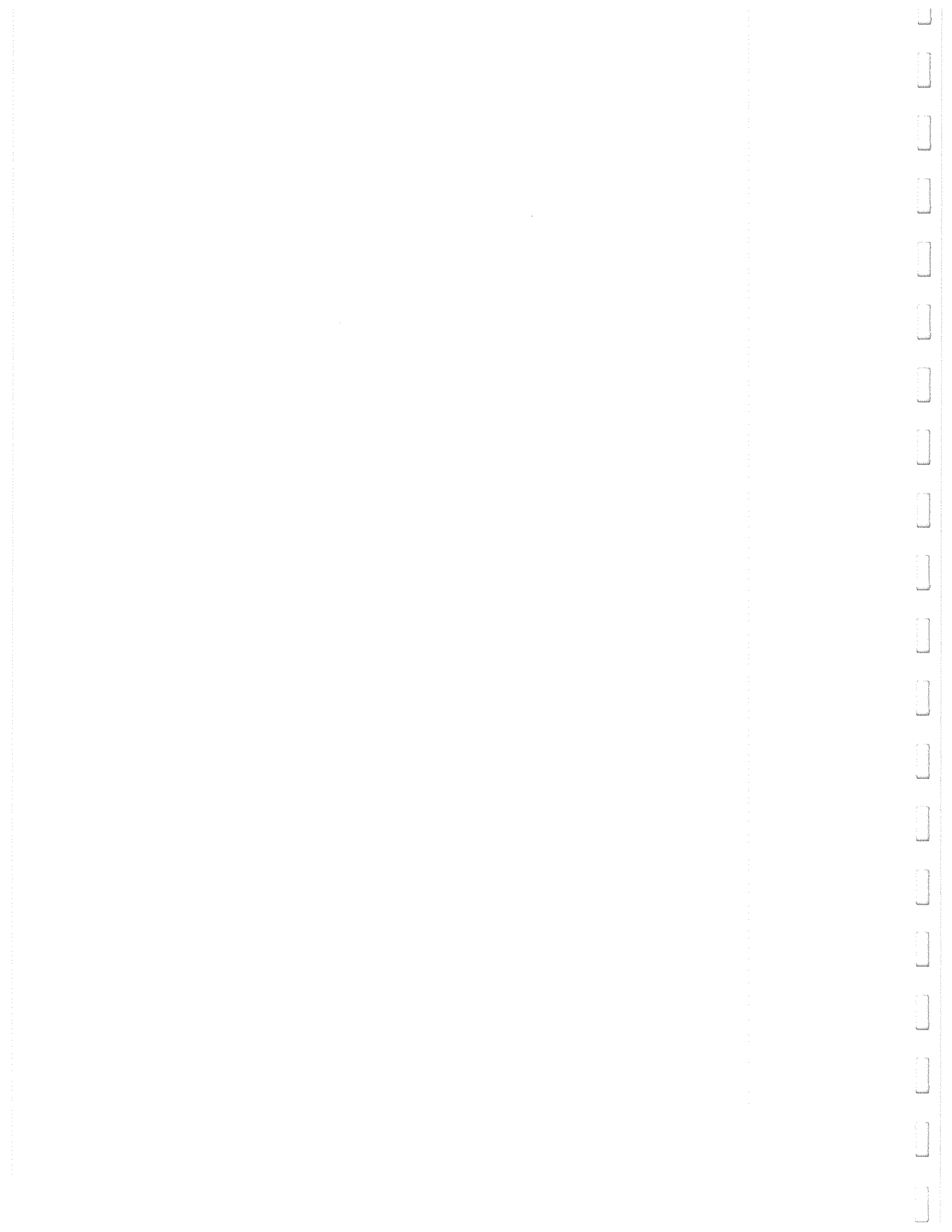
22 May 2024



Members of the Board of Trustees as of 31 December 2023

The list of the members of the Board of Trustees as of 31 December 2023 is presented below:

- Richard Bezjian, *Chairman*
- Ovsanna Yeghoyan, *Member*
- Serob Khachatryan, *Member*
- Bagrat Sargis Balabanyan, *Member*
- Garo H. Armen, *Member*
- Alice Saraydarian, *Member*



Statement of financial position

In thousand drams	Note	As of 31 December 2023	As of 31 December 2022
Assets			
<i>Non-current assets</i>			
Property and equipment	4	4,707,868	4,460,036
Intangible assets		9,565	9,943
Advances for acquisition of non-current assets		19,551	101,364
Borrowings provided		3,111	6,507
		4,740,095	4,577,850
<i>Current assets</i>			
Inventories	5	451,185	16,074
Accounts receivable	6	81,676	159,226
Income tax receivables		850	-
Borrowings provided		3,396	283
Bank deposits	7	139,676	126,826
Cash and bank balances	8	344,205	112,477
		1,020,988	414,886
Total assets		5,761,083	4,992,736
Liabilities and reserves			
<i>Non-current liabilities</i>			
Grants related to assets	9	4,736,985	4,577,850
		4,736,985	4,577,850
<i>Current liabilities</i>			
Accounts payable	10	122,985	74,729
Income tax liability		-	9,891
Grants related to income	11	904,637	330,266
		1,027,622	414,886
<i>Net assets</i>			
Accumulated result		(3,524)	-
		(3,524)	-
Total liabilities and net assets		5,761,083	4,992,736

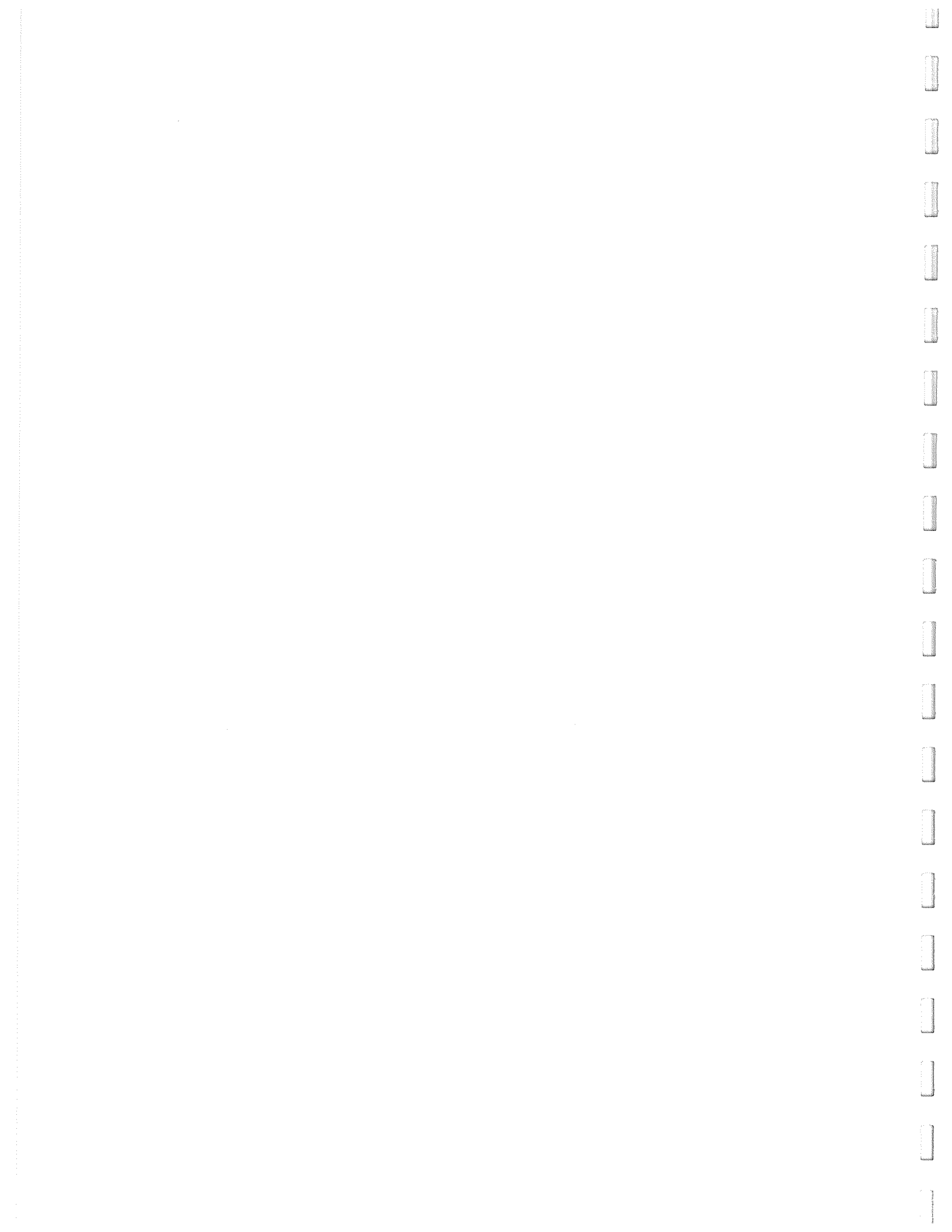
The financial statements were approved on 22 May 2024 by:

Liana Ghaltaghchyan
Executive Director



Nvard Karapetyan

Chief Accountant, "T Account" LLC



Statement of activities

In thousand drams	Note	Year ended 31 December 2023	Year ended 31 December 2022
Sales revenue		105,548	104,195
Cost of sales		(38,535)	(82,538)
Gross profit		67,013	21,657
Income from grants	12	2,098,841	2,034,926
Program expenses	13	(1,776,589)	(1,934,489)
		389,265	122,094
Other income		3,440	4,553
Gain/(loss) from disposal of property and equipment, net		(389)	200
Distribution and marketing expenses		(83,770)	(9,136)
General and administrative expenses	14	(323,872)	(106,706)
Other financial items		1,365	(12,642)
Finance income	15	11,504	11,528
		(2,457)	9,891
Income tax expense		(1,067)	(9,891)
		(3,524)	-

The statement of activities is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 26.

Statement of changes in net assets

In thousand drams	Accumulated Result	Total
as of 1 January 2022	-	-
Result for the year as of 31 December 2022	-	-
Result for the year	(3,524)	(3,524)
Total comprehensive income for the year	(3,524)	(3,524)
as of 31 December 2023	(3,524)	(3,524)

The statement of changes in net assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 26.

Statement of cash flows

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Cash flows from operating activities		
Result for the year	(3,524)	-
<i>Adjustments for:</i>		
Depreciation and amortization	300,947	265,667
Loss from disposal of property and equipment	71,785	3,559
Income tax expense	(1,067)	9,891
Finance income	(11,504)	(11,528)
Income from grants	(2,098,841)	(2,034,926)
Other financial items	(1,365)	12,642
	<u>(1,741,435)</u>	<u>(1,754,695)</u>
<i>Change in the following items</i>		
Change in inventories	(3,777)	40,567
Change in receivables	77,550	(73,509)
Change in bank deposits	(12,850)	(20,357)
Change in payables	48,030	(24,964)
<i>Cash used in operations</i>	<u>(1,632,482)</u>	<u>(1,832,958)</u>
Income tax paid	(11,808)	(8,065)
<i>Net cash used in operating activities</i>	<u>(1,644,290)</u>	<u>(1,841,023)</u>
Cash flows from investing activities		
Acquisition of property and equipment	(968,149)	(1,366,357)
Borrowings provided	283	(6,790)
Interest received	11,504	11,528
Grants received	2,830,789	3,285,213
<i>Net cash from investing activities</i>	<u>1,874,427</u>	<u>1,923,594</u>
Net increase in cash and bank balances	230,137	82,571
Foreign exchange effect on cash	1,591	(13,858)
Cash and bank balances at the beginning of the year	112,477	43,764
Cash and bank balances at the end of the year	<u>344,205</u>	<u>112,477</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 26.

Notes to the financial statements

1 Nature of operations and general information

"Children of Armenia" Charitable Fund (the "Fund") was founded in 2003.

The main objective of the Fund is to provide support to children in the fields of welfare, health and education in Armenia through implementation of health, education, infrastructure, economic development and social programs.

The average number of employees of the Fund during 2023 was 169 employees (2022: 121 employees).

The legal address of the Fund is 2/2 Melik-Adamyany, Yerevan, 0001, Republic of Armenia.

Business environment

The changes in political and economic environment and the development of the legal, tax and legislative systems in Armenia have continuing nature. The stability and development of the Armenian economy largely depends on these changes. The government has brought a renewed commitment to good governance, including anticorruption efforts, transparency, and accountability.

The situation in the Republic of Armenia has intensified as a result of the war unleashed by the Republic of Azerbaijan. Despite the ceasefire agreement, the consequences of the war on Armenia's economy, both in the short and long term, are still uncertain.

The conflict broke out on 24 February 2022 in Ukraine has evolved rapidly, having a significant impact around the world. The United States and the European countries have imposed severe sanctions against Russian Federation. The Western countries are discussing widening existing sanctions. Russian Federation is a significant trading partner of the Republic of Armenia, hence sanctions imposed on Russia as of the date of these financial statements, as well as the escalation of those sanctions had a radical effect on the economy and financial markets of the Republic of Armenia. The immediate global implications were higher inflation, lower growth, and some disruption to financial markets as deeper sanctions take hold.

The conflict in Ukraine caused thousands of Russians and Ukrainians to relocate to the Republic of Armenia. This included not only individuals but also businesses that were established and operated in those countries. This resulted in increased inflows of foreign currency into the Armenian market, which led to a significant appreciation of the Armenian dram relative to the US dollar and Euro. On the other hand, the Central Bank of Armenia did not take any measures to weaken the Armenian national currency.

In 2023 the political situation in Armenia continues to remain relatively unstable, the consequences of the 44-day Artsakh War continue to have a significant impact on the country's overall economy. In September 2023 approximately 120,000 ethnic Armenians living in Artsakh were forcibly deported to Armenia, causing further economic and political upheavals. As a result of the unstable political situation, the permanent closure of international roads, and short-term ceasefire violations, it is difficult to clearly predict the economic impact on the Foundation's operations.

These events may have a further significant impact on the Fund's future operations and financial stability, the full consequences of which are currently difficult to predict. The future economic and political situation and its impact on the Foundation's operations may differ from the management's current expectations.

These financial statements do not reflect the potential future impact of the above on the Fund's operations.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the assumption that the Fund operates on a going concern basis.

Currently, IFRSs do not contain specific guidance for non-profit organizations and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where IFRSs 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 IFRSs, as detailed in the International Accounting Standards Board ("IASB") *The Conceptual Framework for Financial Reporting*.

2.2 Basis of measurement

The financial statements have been prepared on an accruals basis.

2.3 Functional and presentation currency

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

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

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRSs requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 17 to the financial statements.

2.5 Adoption of new and revised standards

In the current year the Fund has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2023.

The nature and the effect of these changes are disclosed below.

New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2023

New standards and amendments described below and applied for the first time in 2023 did not have a material impact on the annual financial statements of the Fund:

Standard	Title of Standard or Interpretation	
IFRS 17	<i>Amendments to IFRS 17 Insurance Contracts including the Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)</i>	1 January 2023
IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</i>	1 January 2023

<i>IFRS 17</i>	<i>Initial application of IFRS 17 and IFRS 9 – Comparative information (Amendment to IFRS 17)</i>	<i>1 January 2023</i>
<i>IAS 8</i>	<i>Definition of Accounting Estimates (Amendments to IAS 8)</i>	<i>1 January 2023</i>
<i>IAS 1</i>	<i>Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)</i>	<i>1 January 2023</i>
<i>IAS 12</i>	<i>International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)</i>	<i>1 January 2023</i>
<i>IFRS for SMEs</i>	<i>International Tax Reform – Pillar Two Model Rules (Amendments to the IFRS for SMEs Standard)</i>	<i>1 January 2023</i>

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

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 Fund.

Management anticipates that all of the relevant pronouncements will be adopted in the Fund's accounting policies for the first period beginning on or after the effective date of the pronouncement.

Management does not anticipate a material impact on the Fund's financial statements from these Standards and Amendments. They are presented below:

Standard	Title of Standard or Interpretation	Effective for reporting periods beginning on or after
<i>IAS 1</i>	<i>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</i>	<i>1 January 2024</i>
<i>IFRS 16</i>	<i>Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)</i>	<i>1 January 2024</i>
<i>IAS 1</i>	<i>Non-current Liabilities with Covenants (Amendments to IAS 1)</i>	<i>1 January 2024</i>
<i>IAS 7 and IFRS 7</i>	<i>Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)</i>	<i>1 January 2024</i>
<i>IAS 21</i>	<i>Lack of Exchangeability (Amendments to IAS 21)</i>	<i>1 January 2025</i>

3 Summary of material 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, 404.79 drams for 1 US dollar and 447.90 drams for 1 euro as of 31 December 2023 (31 December 2022: 393.57 drams for 1 US dollar and 420.06 drams for 1 euro).

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

3.2 Property and equipment

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

Properties not available for use, which are maintained for rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes directly attributable expenditures, site preparation, installation and assembly costs, professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Fund's accounting policy.

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 result.

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

Depreciation is charged to the result or is added to the cost of other asset 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:

Buildings and constructions	- 20-30 years
Computers and equipment	- 3-5 years
Vehicles	- 5-10 years
Fittings	- 5 years.

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

3.3 Intangible assets

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

Amortization is charged to result of the year or is added to the cost of other asset on a straight line basis over the estimated useful lives of the intangible assets, which is estimated at 10 years for the computer software.

3.4 Leased assets

The Fund makes the use of leasing arrangements principally for the provision of office space. The rental contract for office space is typically negotiated for terms of 3 years. The Fund does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis.

The Fund assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

3.5 Inventories

Inventories are assets held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Items such as spare parts, stand-by equipment and servicing equipment are also recognized as inventories unless they meet the definition of property and equipment.

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

3.6 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Fund 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.

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs.

Financial assets are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the Fund's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in the result for the year are presented within finance costs, finance income or other financial items. A summary of the Fund's financial assets by category is given in note 17.2.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Fund's cash and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category.

Accounts receivable and contract assets

The Fund makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Fund uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses by using a provision matrix.

Classification and measurement of financial liabilities

The Fund's financial liabilities include loans and borrowings, trade and other payables and finance lease liabilities. A summary of the Fund's financial liabilities by category is given in note 17.2.

Accounts payable

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

3.7 Grants

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

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

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

Grants received from donors, which as of a reporting date have not been used, are recognized in the statement of financial position of the Fund as deferred income (current liability) and are systematically transferred to the result of the year, along with the grants usage.

Other grants are recognized as income over the periods necessary to match them with the cost for which they are intended to compensate, on a systematic basis.

Refer to note 17 for the management's judgments on grants recognition and calculation.

3.8 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.

3.9 Employee benefits

Short-term employee benefits are benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and include:

- (a) wages, salaries and bonuses;
- (b) paid annual leaves and paid disability leaves;

When employees render services to the Fund during the accounting period, the Fund recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- (a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Fund shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- (b) as an expense, unless the amount is included in the cost of an asset.

Paid absences

The expected cost of short-term employee benefits in the form of paid absences is recognized as follows:

- (a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences.
- (b) in the case of non-accumulating paid absences, when the absences occur.

Bonuses

The expected cost of bonus payments is recognized when and only when the Fund has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, the Fund has no realistic alternative but to make the payments.

3.10 Income recognition

Income arises mainly from the provision of hotel services.

To determine whether to recognize income, the Fund follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing income when/as performance obligation(s) are satisfied.

Income from grants

Refer to note 3.7 for income recognition policy.

4 Property and equipment

In thousand drams

	Land, buildings and constructions	Machinery, equipment	Vehicles, fittings and other	Construction in progress, improvement of the leased asset	Total
<i>Cost</i>					
as of 1 January 2022	2,680,524	387,727	407,120	611,206	4,086,577
Additions	20,420	158,533	167,698	1,006,701	1,353,352
Disposals	(23)	(11,363)	(4,233)	(350)	(15,969)
Internal movement	241,990	432	(432)	(241,990)	-
as of 31 December 2022	2,942,911	535,329	570,153	1,375,567	5,423,960
Additions	128,603	64,937	28,090	772,736	994,366
Disposals	-	(17,887)	(7,361)	(7,998)	(33,246)
Internal movement	1,298,577	66,413	137,441	(1,502,431)	-
Reclassification to inventories	-	-	-	(434,134)	(434,134)
as of 31 December 2023	4,370,091	648,792	728,323	203,740	5,950,946
<i>Accumulated depreciation</i>					
as of 1 January 2022	292,461	218,668	168,909	34,386	714,424
Charge for the year	87,955	79,100	68,384	26,470	261,909
Eliminated on disposal	(23)	(8,939)	(3,447)	-	(12,409)
Internal movement	-	432	(432)	-	-
as of 31 December 2022	380,393	289,261	233,414	60,856	963,924
Charge for the year	125,621	76,672	81,423	15,798	299,514
Eliminated on disposal	-	(15,433)	(4,927)	-	(20,360)
as of 31 December 2023	506,014	350,500	309,910	76,654	1,243,078
<i>Carrying amount</i>					
as of 31 December 2022	2,562,518	246,068	336,739	1,314,711	4,460,036
as of 31 December 2023	3,864,077	298,292	418,413	127,086	4,707,868

As of the reporting date the Fund does not have any pledged items of the property and equipment.

Additions in the "Land, buildings and constructions" class include plot of land in Armavir at the amount of drams 26,391 thousand, capital expenditures incurred on the following buildings: Conference center: drams 1,298,577 thousand, Armavir ChFSC: drams 27,245 thousand, Armavir Smart Center: drams 12,694 thousand, other additions: drams 62,273 thousand (2022: residential houses acquired within the scope of "Houses for Artsakh residents" project at the amount of drams 21,329 thousand, "COAF Smart" complex of Lori region and Conference Center at the amount of drams 707,419 thousand, "COAF Smart" center of Armavir region at the amount of drams 10,309 thousand and other capital expenditures at the amount of drams 101,260 thousand).

Reclassification was made from the "Construction in progress" class to the inventory class: construction costs of Health Center in Dsegh at the amount of drams 372,413 thousand, material costs at the amount of drams 61,721 thousand.

Depreciation expense has been charged to program expenses at the amount of drams 226,220 thousand, general and administrative expenses at the amount of drams 71,752 thousand (2022: program expenses at the amount of drams 203,766 thousand, general and administrative expenses at the amount of drams 58,143 thousand).

5 Inventories

In thousand drams	As of 31 December 2023	As of 31 December 2022
Construction in progress (refer to note 4)	372,413	-
Goods for contribution	70,300	8,086
Raw materials	6,611	1,850
Fuel	1,861	6,128
	<u>451,185</u>	<u>16,074</u>

Inventories of the Fund are not pledged.

6 Accounts receivable

In thousand drams	As of 31 December 2023	As of 31 December 2022
Advances	49,791	118,907
Grants receivable	26,887	36,350
Other accounts receivable	4,998	3,969
	<u>81,676</u>	<u>159,226</u>

7 Bank deposits

in thousand drams

	As of 31 December 2023				As of 31 December 2022				
	Commence- ment date	Maturity date	Interest	Principal amount	Accrued interest	Financial income 2022	Principal amount	Accrued interest	Financial income 2021
Ameriabank CJSC	16.12.2022	17.12.2023	9.5%	-	-	350	126,300	526	10,340
Ameriabank CJSC*	24.07.2023	01.02.2024	6.5%	77,000	817	817	-	-	-
HSBC Bank Armenia CJSC	17.12.2023	31.01.2024	7.5%	61,000	859	859	-	-	-
				<u>138,000</u>	<u>1,676</u>	<u>2,026</u>	<u>126,300</u>	<u>526</u>	<u>10,340</u>

8 Cash and bank balances

In thousand drams	As of 31 December 2023	As of 31 December 2022
Cash in hand	150	76
Bank accounts	343,601	112,401
Cash on transit	454	-
	<u>344,205</u>	<u>112,477</u>

Refer to note 18 for the currencies in which the cash and bank balances are denominated.

9 Grants related to assets

In thousand drams	2023	2022
Balance at the beginning of the year	4,577,850	3,472,877
Funds received during the year	1,558	1,335
Increase from grants related to income	456,980	1,369,305
Used during the year	(299,403)	(265,667)
Balance at the end of the year	<u>4,736,985</u>	<u>4,577,850</u>

10 Accounts payable

In thousand drams	As of 31 December 2023	As of 31 December 2022
Provision for construction contract guarantee amounts	45,538	35,357
Payables on services received	40,547	28,049
Payables on lease	-	4,427
Payables to the State budget	33,415	3,728
Allowance for unused vacation days	2,619	1,504
Payables for the acquisition of non-current assets	-	709
Payables for the acquisition of inventories	850	182
Other	16	773
	<u>122,985</u>	<u>74,729</u>

No interest is charged on accounts payable. The Fund has financial risk management policies to ensure that all payables are paid within the credit timeframe.

Refer to note 18 for more information about the Fund's exposure to foreign currency risk.

11 Grants related to income

In thousand drams	2023	2022
Balance at the beginning of the year	330,266	163,982
Funds received during the year	2,840,977	3,285,713
Grant return	(37,075)	(500)
Grants to be received	26,887	19,635
Transfer to grants related to assets (refer to note 9)	(456,980)	(1,369,305)
Used during the year	(1,799,438)	(1,769,259)
Balance at the end of the year	<u>904,637</u>	<u>330,266</u>

Additions include the funds received from the following donors:

In thousand drams

	2023	2022
"Children of Armenia Fund" New York	2,530,605	3,064,386
H. O. P. E. project	98,996	-
U.S. Embassy in the Republic of Armenia	81,841	81,573
German Corporation for International Cooperation (GIZ GmbH)	80,125	19,008
Armenian Missionary Association of America, Armenia branch (AMAA)	16,128	11,070
Embassy of Japan in the Republic of Armenia	-	44,727
Embassy of Canada in the Republic of Armenia	-	10,743
"Family Health International 360" LLC	-	8,337
Amundi-ACBA asset management CJSC	-	8,000
Embassy of Lithuania in the Republic of Armenia	-	4,267
HSBC Bank Armenia CJSC	-	4,180
Agency of Local Democratic Offices	-	3,812
Other donors	33,282	25,610
	<u>2,840,977</u>	<u>3,285,713</u>

The balance at the end of the year of the grants related to income include the unused balances of the funds received from the following donors:

In thousand drams

	As of 31 December 2023	As of 31 December 2022
"Children of Armenia Fund" New York	711,977	286,253
H. O. P. E. Project	89,261	-
U.S. Embassy in the Republic of Armenia	69,761	12,343
Armenian Missionary Association of America, Armenia branch (AMAA)	8,535	5,361
Amundi-ACBA asset management CJSC	-	8,000
Embassy of Canada in the Republic of Armenia	-	7,612
Other	25,103	10,697
	<u>904,637</u>	<u>330,266</u>

12 Income from grants

In thousand drams

	Year ended 31 December 2023	Year ended 31 December 2022
Income from grants related to income	1,799,438	1,769,259
Income from grants related to assets	299,403	265,667
	<u>2,098,841</u>	<u>2,034,926</u>

13 Program expenses

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Smart centers expenses	901,419	748,767
Infrastructure development	208,207	400,097
Educational programs	240,131	289,621
Economic development	171,684	258,288
Social programs	191,892	135,074
Health programs	57,166	90,267
Other	6,090	12,375
	<u>1,776,589</u>	<u>1,934,489</u>

14 General and administrative expenses

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Employee benefit expenses	173,986	36,689
Foreign currency translation expenses	137	33,643
Service and depreciation expenses	35,523	9,022
Professional and consulting fees	4,290	4,101
Lease and utility expenses	55,598	295
Business trip and representative expenses	2,124	95
Other expenses	52,214	22,861
	<u>323,872</u>	<u>106,706</u>

15 Finance income

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Interest income from bank deposits	2,026	10,340
Interest income accrued on the positive balance of bank accounts	9,478	1,188
	<u>11,504</u>	<u>11,528</u>

16 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.

16.1 Critical accounting estimates

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

Useful lives of property and equipment

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

Net realizable value of inventories

Management has estimated the net realizable value of inventories. If the estimated net realizable value is less than the cost of those inventories, the inventories are written down to their net realizable value. If the net realizable value differs from management's estimates, the financial statements may differ materially.

16.2 Critical judgments in applying accounting policies

The following are the judgements made by management in applying the accounting policies of the Fund that have the most significant effect on the financial statements.

Recognition of grants

As disclosed in note 3.7, grants are not recognized until there is reasonable assurance that the Fund 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 Fund to completely implement the grant. 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 Fund.

17 Financial instruments

17.1 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.

17.2 Categories of financial instruments

The carrying amounts of financial assets and financial liabilities in each category are as follows:

Financial assets

In thousand drams	As of 31 December 2023	As of 31 December 2022
<i>Amortized cost</i>		
Bank deposits	138,000	126,300
Cash and bank balances	344,205	112,477
	<u>482,205</u>	<u>238,777</u>

Financial liabilities

In thousand drams	As of 31 December 2023	As of 31 December 2022
<i>Amortized cost</i>		
Accounts payable	89,570	71,001
	<u>89,570</u>	<u>71,001</u>

18 Financial risk management

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

The Fund does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Fund is exposed are described below.

Financial risk factors

a) Market risk

The Fund is exposed to market risk, specifically to currency risk, which result from both its operating and investing activities.

Foreign currency risk

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

Most of the Fund's transactions are carried out in Armenian drams. Exposures to currency exchange rates arise from the Fund's foreign currency grants and overseas sales and purchases, which are primarily denominated in US dollars.

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

In thousand drams

	As of 31 December 2023	As of 31 December 2022
	US dollar	
<i>Financial assets</i>		
Bank balances	178,772	100
Net position	<u>178,772</u>	<u>100</u>

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Fund. The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

In thousand drams

	As of 31 December 2023	As of 31 December 2022
Financial assets at carrying amounts		
Bank balances	343,601	112,401
	<u>343,601</u>	<u>112,401</u>

The credit risk for bank balances and term deposits is considered negligible, since the counterparty "Ameriabank" CJSC is reputable bank which has ba3 credit rating by Moody's Investors Service/Standard & Poor's.

c) Liquidity risk

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

The Fund'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 following table details the Fund's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay. The table includes cash flows from interest and principal amount.

In thousand drams	As of 31 December 2023	As of 31 December 2022
	Non-interest bearing	Non-interest bearing
Less than 6 months	41,413	35,644
6 months to 1 year	48,157	35,357
	<u>89,570</u>	<u>71,001</u>

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

19 Contingencies

19.1 Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Fund 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 Fund property or relating to the Fund operations. Until the Fund obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Fund's operations and financial position.

19.2 Taxes

The taxation system in Armenia is characterized by frequently changing legislation, which sometimes needs interpretations. 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 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

20 Related parties

The Fund's related parties include "Children of Armenia Fund New York", Board of Trustees of the Fund, "Energize Global Services" CJSC, which is founded by Mr. Richard Bezjian, the Chairman of the Board of Trustees of the Fund, as well as key management as described below.

20.1 Control relationships

The Fund is controlled by the Board of Trustees. "Children of Armenia Fund New York", which operates in the United States of America and is located in the USA, 10010 New York, 5th Avenue, 149 building, room No. 500, is under common control with the Fund.

20.2 Transactions with related parties

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

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Transactions		
Entities under common control		
Acquisition of grants	2,530,605	3,064,386
	<u>2,530,605</u>	<u>3,064,386</u>
In thousand drams		
Outstanding balances	As of 31 December 2023	As of 31 December 2022
Entities under common control		
Grants related to income	339,564	286,253
	<u>339,564</u>	<u>286,253</u>

20.3 Transactions with management and close family members

Key management received the following remuneration during the year, which is included in general and administrative expenses.

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Salaries and bonuses	<u>39,795</u>	<u>30,442</u>