



Financial Statements and Independent Auditor's
Report

“Jinishian” Memorial Foundation

December 31, 2015

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Independent auditor's report

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To the Board of Trustees of “Jinishian” Memorial Foundation

We have audited the accompanying financial statements of “Jinishian” Memorial Foundation (the “Foundation”), which comprise the statement of financial position as of December 31, 2015, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of “Jinishian” Memorial Foundation as of December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

March 18, 2016

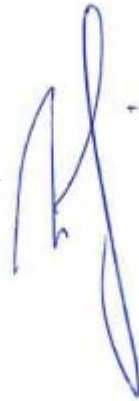
Gagik Gyulbudaghyan

Managing Partner



Emil Vassilyan, FCCA

Engagement Partner



Statement of financial position

In thousand drams

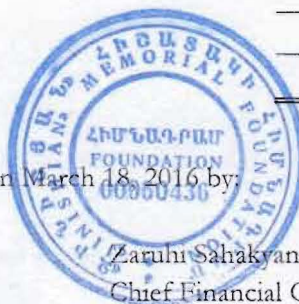
| | Note | As of December 31, 2015 | As of December 31, 2014 |
|---------------------------------------|------|-------------------------------|-------------------------------|
| Assets | | | |
| <i>Non-current assets</i> | | | |
| Property and equipment | 4 | 38,712 | 44,591 |
| Intangible assets | | 375 | 428 |
| Borrowings provided | 5 | 332 | 101,328 |
| | | <u>39,419</u> | <u>146,347</u> |
| <i>Current assets</i> | | | |
| Inventories | | 4,245 | 7,750 |
| Advances and receivables | 6 | 23,986 | 20,108 |
| Borrowings provided | 5 | 301,571 | 201,674 |
| Term deposits | 7 | 285,414 | 293,965 |
| Cash and bank balances | | 52,173 | 26,889 |
| | | <u>667,389</u> | <u>550,386</u> |
| Total assets | | <u><u>706,808</u></u> | <u><u>696,733</u></u> |
| Reserves and liabilities | | | |
| <i>Reserves</i> | | | |
| Accumulated result (unrestricted) | | 629,755 | 638,402 |
| | | <u>629,755</u> | <u>638,402</u> |
| <i>Non-current liabilities</i> | | | |
| Grants related to assets | 8 | 39,087 | 45,019 |
| | | <u>39,087</u> | <u>45,019</u> |
| <i>Current liabilities</i> | | | |
| Accounts payable | 9 | 13,254 | 877 |
| Current income tax liabilities | | 1,962 | 650 |
| Deferred income | 10 | 22,750 | 11,785 |
| | | <u>37,966</u> | <u>13,312</u> |
| Total reserves and liabilities | | <u><u>706,808</u></u> | <u><u>696,733</u></u> |

The financial statements were approved on March 18, 2016 by:

Armen Hakobian
 Executive Director

Zaruhi Sahakyan
 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 7 to 26.



30 May

Statement of comprehensive income

In thousand drams

| | Note | Year ended December 31, 2015 | Year ended December 31, 2014 |
|----------------------------------|------|------------------------------------|------------------------------------|
| <i>Income</i> | | | |
| Income from grants | 11 | 265,770 | 271,078 |
| Other income | | 1,367 | 8,072 |
| Interest income | 12 | 20,257 | 20,104 |
| Other financial items, net | 14 | 3,633 | 38,393 |
| Total income | | <u>291,027</u> | <u>337,647</u> |
| <i>Expenses</i> | | | |
| Employee benefits | | (137,977) | (117,429) |
| Depreciation and amortization | | (7,819) | (11,426) |
| Grants expenses | 13 | (73,540) | (54,339) |
| Cost of inventories used | | (2,680) | (11,919) |
| Fuel and transportation expenses | | (7,947) | (8,685) |
| Insurance expenses | | (262) | (3,918) |
| Other expenses | | (66,202) | (65,601) |
| Total expenses | | <u>(296,427)</u> | <u>(273,317)</u> |
| Result before taxes | | <u>(5,400)</u> | <u>64,330</u> |
| Income tax expense | 15 | (3,247) | (3,357) |
| Result for the year | | <u><u>(8,647)</u></u> | <u><u>60,973</u></u> |

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 7 to 26.

Statement of changes in reserves

In thousand drams

| | Accumulated Result (unrestricted) | Total |
|---|---|---------|
| as of January 1, 2014 | 577,429 | 577,429 |
| Result for the year | 60,973 | 60,973 |
| Total comprehensive income for the year | 60,973 | 60,973 |
| as of December 31, 2014 | 638,402 | 638,402 |
| Result for the year | (8,647) | (8,647) |
| Total comprehensive income for the year | (8,647) | (8,647) |
| as of December 31, 2015 | 629,755 | 629,755 |

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 7 to 26.

Statement of cash flows

| In thousand drams | Year ended December 31, 2015 | Year ended December 31, 2014 |
|---|------------------------------------|------------------------------------|
| Cash flows from operating activities | | |
| Result for the year | (8,647) | 60,973 |
| <i>Adjustments for:</i> | | |
| Income from grants | (265,770) | (271,078) |
| Depreciation and amortization | 7,819 | 11,426 |
| Loss on disposal of property and equipment | 393 | - |
| Income tax expense | 3,247 | 3,357 |
| Finance income | (20,257) | (20,104) |
| Income from derecognition of allowance for doubtful borrowings | (1,252) | (2,264) |
| Gain from exchange differences | (3,633) | (38,393) |
| <i>Operating result before working capital changes</i> | <u>(288,100)</u> | <u>(256,083)</u> |
| Change in advances and receivables | (3,878) | 4,797 |
| Change in inventories | 3,505 | (3,981) |
| Change in accounts payable | 13,290 | (2,472) |
| <i>Cash used in operations</i> | <u>(275,183)</u> | <u>(257,739)</u> |
| Cash received from grants/(grants return and other movements), net | 270,803 | 236,219 |
| Income tax paid | (1,935) | (3,357) |
| <i>Net cash used in operating activities</i> | <u>(6,315)</u> | <u>(24,877)</u> |
| Cash flows from investing activities | | |
| Interest income received | 22,068 | 20,220 |
| Proceeds from borrowings | 241,335 | 202,264 |
| Provision of borrowings | (240,000) | (292,490) |
| Acquisition of property and equipment and intangible assets | (2,280) | (2,308) |
| <i>Net cash from/(used in) investing activities</i> | <u>21,123</u> | <u>(72,314)</u> |
| Net increase/(decrease) in cash and bank balances | 14,808 | (97,191) |
| Foreign exchange effect on cash | 3,633 | 38,393 |
| Cash and bank balances at the beginning of the year | <u>315,289</u> | <u>374,087</u> |
| Cash and bank balances at the end of the year | <u><u>333,730</u></u> | <u><u>315,289</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 7 to 26.

Notes to the financial statements

1 Nature of operations and general information

“Jinishian” Memorial Foundation (the “Foundation”) is a benevolent organization founded on May 17, 1966 by Vardan Jinishian in commemoration of his parents.

In Armenia the Foundation started its operation in 1994 and was officially registered as a Foundation in 1999. It implements projects directly financed by the Presbyterian Church USA (the Founder) “Jinishian Memorial Program”.

The mission of the Foundation is to enable Armenians in need to move from poverty and despair to self-sufficiency and hope-through relief, development and spiritual uplift.

The overriding goal of the Foundation is to support durable solutions to Armenia’s social and economic problems.

To realize its mission the Foundation pursues the following goals:

- Reduce poverty;
- Empower all levels of the society to work together to overcome social and economic problems;
- Support the spiritual, intellectual and social development of young Armenians;
- Strengthen civil society through support to non-governmental organizations (NGOs) and other formal and informal social benefit activities;
- Relieve the immediate suffering of the most vulnerable and marginalized groups through material and spiritual assistance.

To realize the above-mentioned goals the Foundation implements the following projects:

- Self-Developed Projects – when the Foundation develops and implements its own projects;
- Partnerships – when the Foundation collaborates with local and international organizations to develop, fund and implement projects;
- Small Grants – when the Foundation provides small grants to support projects developed and implemented by local NGOs and community groups;
- Credit Services – when the Foundation provides affordable credits to Micro-Finance Institutions and Farmer Cooperatives.

On September 2, 2011 the Foundation signed a Memorandum of Understanding with CARD AgroCredit UCO CJSC, in the framework of which, low interest rate borrowings are provided to CARD AgroCredit UCO CJSC to provide them to farmer cooperatives.

The cooperation with CARD AgroCredit UCO CJSC aims at creating financing resources for farmer cooperatives, founding a crediting model, which will lead to the encouragement of cooperation between the farmers.

In 2015 the average number of employees of the Foundation was 26 (2014: 26).

The principle place of operation of the Foundation is 5 apt. 34 Abovian st., Yerevan, Republic of Armenia.

2 Basis of preparation

2.1 Statement of compliance

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

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

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

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the note 16 to the financial statements.

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 operations and effective for annual reporting periods beginning on January 1, 2015.

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

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

Annual Improvements 2010-2012

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

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

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

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

IFRS 9 Financial Instruments (2014)

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

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

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

The amendments are prospectively effective for annual periods beginning on or after January 1, 2016. The early adoption of standard is permitted. These changes are not expected to have an impact on the Foundation, taking into account the fact, that the Foundation has not used a revenue-based method to depreciate its non-current assets.

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 January 1, 2016. Management does not anticipate a material impact on the Foundation’s financial statements from these Amendments.

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 483.75 drams for 1 US dollar and 528.69 drams for 1 euro as of December 31, 2015 (December 31, 2014: 474.97 drams for 1 US dollar, 577.47 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.

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

Subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in the statement of activities and changes as incurred.

Depreciation is charged to the result for the year 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 | - 20 years |
| Vehicles | - 5 years |
| Computers | - 1 year |
| Other | - 5 years. |

3.3 Intangible assets

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

Amortization is charged to 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 Inventories

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

Inventories of the Foundation include the unused inventories and the fuel, which were acquired for the projects realization, but were not used at the reporting date.

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

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets 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 17.2 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 interest costs, interest 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.

Borrowings provided

Targeted borrowings provided are initially recognized at fair value. Subsequently they are measured at amortized cost less provision for impairment, and the difference between this cost and the redemption cost is recognized in the statement of comprehensive income during the borrowing period.

A provision for impairment of the borrowings is established, when there is an objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of the borrowings. Significant financial difficulties of the borrowers and default and delinquency in payments are considered indicators that the borrowing is impaired.

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

Refer to note 16 for the management's estimations and judgments on the borrowings provided.

Cash and bank balances

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

ii. Held-to-maturity investments

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

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

3.6 Impairment

Impairment of financial assets

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

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

3.7 Grants

Grant is not recognized until there is reasonable assurance that the Foundation will comply with the conditions attaching to it, and the grant 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 the statement of comprehensive income 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. Grant that is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Foundation with no future related costs are recognized as income in the period in which they become receivable.

Cash collected by the Foundation is not recognized as income, when this Project or grant is not realized or controlled by the Foundation. These amounts are not included in the financial statements of the Foundation.

Grants, which were provided for the purpose of giving immediate financial support rather than as an incentive to undertake specific expenditures, are recognized when received.

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.

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 fixed assets and intangible assets. The annual amount of depreciation and amortization of fixed assets 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 amortization rate stated for that group of assets.

The depreciation and amortization of fixed assets and intangible assets acquired before January 1, 2014 are calculated on a straight line basis.

3.9 Income recognition

The income of the Foundation arises from the use of donations received, rendering of services and from interests of the borrowings provided by the Foundation.

Income from donations

This income is recognized, when there is a reasonable assurance that the donation will be received or when the donation is factually received. This income is included in income from grants.

Income from grants related to assets

This income is included in “Income from grants” item. Recognition policy is presented in note 3.7.

Rendering of services

Income from rendering of services is recognized, when the services are rendered, which is justified by the signed documents on behalf of the counterparty. This income is included in other income.

Interest income

Interest revenue is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

3.10 Recognition of expenses

The Foundation recognizes the expenses as incurred. Grants provided are recognized as an expense in the period, when the grant report is submitted by the grantee and the Foundation accepts those expenses.

4 Property and equipment

In thousand drams

| | Buildings | Vehicles and fittings | Other | Total |
|---------------------------------|-----------|-----------------------|--------|---------|
| <i>Cost</i> | | | | |
| as of January 1, 2014 | 91,717 | 25,424 | 55,361 | 172,502 |
| Additions | - | 1,213 | 634 | 1,847 |
| as of December 31, 2014 | 91,717 | 26,637 | 55,995 | 174,349 |
| Additions | - | 2,072 | 208 | 2,280 |
| Disposals | - | - | (428) | (428) |
| as of December 31, 2015 | 91,717 | 28,709 | 55,775 | 176,201 |
| <i>Accumulated depreciation</i> | | | | |
| as of January 1, 2014 | 47,769 | 22,586 | 48,021 | 118,376 |
| Charge for the year | 4,585 | 1,674 | 5,123 | 11,382 |
| as of December 31, 2014 | 52,354 | 24,260 | 53,144 | 129,758 |
| Charge for the year | 4,586 | 909 | 2,271 | 7,766 |
| Eliminated on disposal | - | - | (35) | (35) |
| as of December 31, 2015 | 56,940 | 25,169 | 55,380 | 137,489 |
| <i>Carrying amount</i> | | | | |
| as of December 31, 2014 | 39,363 | 2,377 | 2,851 | 44,591 |
| as of December 31, 2015 | 34,777 | 3,540 | 395 | 38,712 |

As of December 31, 2015 the cost of the property and equipment of the Foundation with the carrying amount of nil is drams 78,647 thousand in the statement of financial position (December 31, 2014: drams 53,248 thousand).

5 Borrowings provided

| Name of the borrower | Principal amount (in thousand drams) | Original currency | Commence-ment date | Maturity date | Annual interest rate (%) | Balance as of December 31 (in thousand drams) | | | | Interest income (in thousand drams) | |
|---|--------------------------------------|-------------------|--------------------|---------------|--------------------------|--|------------|-----------------|------------|--|--------------|
| | | | | | | 2015 | | 2014 | | 2015 | 2014 |
| | | | | | | Principal | Interest | Principal | Interest | | |
| <i>Unsecured borrowings</i> | | | | | | | | | | | |
| Kotayk Marz, community of Balahovit village | 7,354 | AMD | 26.06.2000 | 26.06.2005 | 0% | 6,854 | - | 6,854 | - | - | - |
| Khachatur Madoyan | 7,400 | AMD | 29.09.2010 | 31.12.2012 | 0% | 4,118 | - | 5,370 | - | - | - |
| "Federation of Agricultural Associations" ULE | 62,668 | AMD | 29.10.2010 | 31.12.2012 | 3% | 41,126 | - | 41,126 | - | - | - |
| CARD AgroCredit UCO CJSC | 100,000 | AMD | 01.08.2013 | 31.07.2016 | 3% | 100,000 | 66 | 100,000 | 178 | 3,000 | 2,925 |
| CARD AgroCredit UCO CJSC | 40,000 | AMD | 01.10.2013 | 31.10.2015 | 3% | - | - | 40,000 | 100 | 1,000 | 1,100 |
| CARD AgroCredit UCO CJSC | 200,000 | AMD | 01.12.2013 | 01.12.2014 | 3% | - | - | - | - | - | 5,100 |
| CARD AgroCredit UCO CJSC | 200,000 | AMD | 27.11.2014 | 25.11.2015 | 3% | - | - | 160,000 | 400 | 5,300 | 400 |
| CARD AgroCredit UCO CJSC | 200,000 | AMD | 27.11.2015 | 30.11.2016 | 3% | 200,000 | 509 | - | - | 510 | - |
| Hasmik Sevumyan | 2,490 | AMD | 20.11.2014 | 05.05.2017 | 0% | 1,328 | - | 2,324 | - | - | - |
| | | | | | | <u>353,426</u> | <u>575</u> | <u>355,674</u> | <u>678</u> | <u>9,810</u> | <u>9,525</u> |
| <i>Allowance on doubtful borrowings</i> | | | | | | | | | | | |
| Kotayk Marz, community of Balahovit village | | | | | | (6,854) | - | (6,854) | - | | |
| "Federation of Agricultural Associations" ULE | | | | | | (41,126) | - | (41,126) | - | | |
| Khachatur Madoyan | | | | | | (4,118) | - | (5,370) | - | | |
| | | | | | | <u>(52,098)</u> | <u>-</u> | <u>(53,350)</u> | <u>-</u> | | |
| <i>Carrying amount</i> | | | | | | <u>301,328</u> | <u>575</u> | <u>302,324</u> | <u>678</u> | | |

According to the contracts signed, in the framework of the Project "Cooperation for Providing Financial Services to Farmer Cooperatives" the Foundation provides borrowings to CARD AgroCredit UCO CJSC. CARD AgroCredit UCO CJSC provides the borrowings to separate business sectors of agriculture as a borrowing to develop farmer cooperatives.

The movement of the allowance for doubtful borrowings is presented below:

| In thousand drams | 2015 | 2014 |
|---|---------------|---------------|
| Balance at the beginning of year | 53,350 | 55,614 |
| Derecognition of allowance (included in other income) | (1,252) | (2,264) |
| Balance at the end of year | <u>52,098</u> | <u>53,350</u> |

Refer to note 16.1 for the Foundation's estimations related to the average market rate of the borrowings provided.

6 Advances and other receivables

| In thousand drams | As of December 31, 2015 | As of December 31, 2014 |
|-----------------------------------|-------------------------------|-------------------------------|
| Advances | 22,750 | 18,631 |
| Receivables from the State budget | 960 | 1,172 |
| Other receivables | 276 | 305 |
| | <u>23,986</u> | <u>20,108</u> |

The outstanding balance of advances includes grants provided to communities, village centers, local and non-governmental organizations for implementation of different projects at the amount of drams 13,988 thousand (2014: drams 17,297 thousand), and other advances at the amount of drams 8,762 thousand (2014: drams 1,334 thousand), that have been provided for the acquisition of services.

The balance of grants provided includes:

| In thousand drams | As of December 31, 2015 | As of December 31, 2014 |
|---|-------------------------------|-------------------------------|
| Mother See of Holy Etchmiadzin | 960 | 1,070 |
| "Homeland Development Initiative Foundation" (HDIF) | 7,033 | 7,290 |
| "Full Life" NGO | 2,400 | - |
| "Rehabilitation centre named after Caroline Cox" SNCO | - | 2,936 |
| "Abul" cultural NGO | - | 1,440 |
| "Shen association" NGO | - | 1,942 |
| Other | 3,595 | 2,619 |
| | <u>13,988</u> | <u>17,297</u> |

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

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

7 Term deposits

| In thousand drams | As of December 31, 2015 | As of December 31, 2014 |
|------------------------------|-------------------------------|-------------------------------|
| Deposits | 281,557 | 288,400 |
| Accrued interest on deposits | 3,857 | 5,565 |
| | <u>285,414</u> | <u>293,965</u> |

Term deposits were invested in “Acba-Credit Agricole Bank” CJSC, "HSBC Bank Armenia" CJSC and “Ameriabank” CJSC with different maturity periods, from 6 to 167 days, and the average effective interest rate is 4.2% (2014: 4.1%).

During 2015 the interest income from term deposits was drams 10,447 thousand (2014: drams 10,579 thousand) (refer to note 12).

8 Grants related to assets

| In thousand drams | 2015 | 2014 |
|---------------------------------------|---------------|---------------|
| Balance at the beginning of year | 45,019 | 54,137 |
| Income from grants (refer to note 11) | (8,212) | (11,425) |
| Transferred from deferred income | 2,280 | 2,307 |
| Balance at the end of year | <u>39,087</u> | <u>45,019</u> |

9 Accounts payable

| In thousand drams | As of December 31, 2015 | As of December 31, 2014 |
|-------------------------------|-------------------------------|-------------------------------|
| Accounts payable to employees | 10,907 | - |
| Other | 2,347 | 877 |
| | <u>13,254</u> | <u>877</u> |

According to the post-employment benefit plan, the Foundation makes deductions for social security fund for employees at the amount of 2% of their gross salary. The Foundation concluded a contract with “Ameria Asset Management” CJSC and transferred the pension fund of employees to the trust management of “Ameria Asset Management” CJSC, in accordance with the contract signed to this entity.

In 2015 the Foundation terminated the contract with “Ameria Asset Management” CJSC and invested the amounts allocated to the pension fund as a deposit in “Ameriabank” CJSC. This resulted to deposits invested on behalf of employees (refer to note 7) and payables to employees on pension deductions.

The management of Foundation believes that the present value of post-employment benefit liabilities is not materially different from the carrying amounts.

10 Deferred income

| In thousand drams | 2015 | 2014 |
|---|---------------|---------------|
| Balance at the beginning of year | 11,785 | 37,526 |
| Additions | 270,737 | 236,688 |
| Return of the grant | - | (171) |
| Transferred to grants related to assets | (2,280) | (2,307) |
| Income from grants (refer to note 11) | (257,558) | (259,653) |
| Other movements | 66 | (298) |
| Balance at the end of year | <u>22,750</u> | <u>11,785</u> |

During the year, in the framework of approved budget the Foundation receives donations from the Founder and uses them for the following purposes:

- providing borrowings to Universal Credit Organizations;
- the implementation of different other projects;
- the development of the Foundation;
- investing the free amounts in the bank accounts as deposits.

During 2014 by the initiative of the Presbyterian Church USA the Foundation organized a fundraising to provide financial assistance to the Armenian communities in the Syrian Arab Republic and the Republic of Lebanon. Collected amount was drams 16,184 thousand (US dollar

34,970), which was transferred to the offices of "Jinishian" Memorial Foundation in Syria and Lebanon.

The financial statements of the Foundation include only the projects financed or co-financed by resources controlled by the Foundation. The collected amounts were not included in the financial statements, since the financial assistance project was implemented by the Founder through the offices in Syria and Lebanon. The Foundation only ensured the collection of the amounts.

The amounts received during the period consist of amounts financed in the framework of the projects. The financing includes the following sources:

| In thousand drams | Year ended December 31, 2015 | Year ended December 31, 2014 |
|---------------------------|------------------------------------|------------------------------------|
| Presbyterian Church USA | 242,674 | 198,594 |
| OSI Assistance Foundation | - | 23,288 |
| Gyulbekyan Foundation | 22,856 | 11,773 |
| CARD AgroCredit UCO CJSC | 3,500 | 3,033 |
| Other grants | 1,707 | - |
| | <u>270,737</u> | <u>236,688</u> |

As of the end of the year the balance of deferred income has arisen from the following sources:

| In thousand drams | As of December 31, 2015 | As of December 31, 2014 |
|--------------------------|-------------------------------|-------------------------------|
| Gyulbekyan Foundation | 22,740 | 11,652 |
| CARD AgroCredit UCO CJSC | 10 | 133 |
| | <u>22,750</u> | <u>11,785</u> |

As of December 31, 2015 the balance of deferred income includes the resources received by the Foundation for different projects, which were implemented starting from the end of 2015, and should be finished in 2016.

11 Income from grants

| In thousand drams | Year ended December 31, 2015 | Year ended December 31, 2014 |
|--|------------------------------------|------------------------------------|
| Grants related to assets (refer to note 8) | 8,212 | 11,425 |
| Deferred income (refer to note 10) | 257,558 | 259,653 |
| | <u>265,770</u> | <u>271,078</u> |

12 Interest income

| In thousand drams | Year ended December 31, 2015 | Year ended December 31, 2014 |
|---------------------------------|------------------------------------|------------------------------------|
| Interest income from borrowings | 9,810 | 9,525 |
| Interest income from deposits | 10,447 | 10,579 |
| | <u>20,257</u> | <u>20,104</u> |

13 Grant expenses

In thousand drams

| | Year ended December 31, 2015 | Year ended December 31, 2014 |
|---|------------------------------------|------------------------------------|
| Mother See of Holy Etchmiadzin | 16,376 | 5,347 |
| Torfavan village community center | 2,000 | 2,365 |
| Arpunq village community center | 8,300 | 2,615 |
| Our Lady of Armenia Convent | 5,280 | 4,253 |
| Armenian Missionary Association of America | 4,800 | 4,050 |
| "Full Life" NGO | - | 2,839 |
| "Homeland Development Initiative Foundation" (HDIF) | 11,816 | 2,841 |
| "Shen association" NGO | 1,890 | 703 |
| "Rehabilitation centre named after Caroline Cox" SNCO | 5,338 | - |
| "Hamazgayin Theatre" SNCO | - | 5,000 |
| Koti village community centre | - | 2,238 |
| "Green Lane" NGO | - | 2,600 |
| "Tsiatsan" NGO | - | 2,210 |
| Other | 17,740 | 17,278 |
| | <u>73,540</u> | <u>54,339</u> |

The Foundation provides grants to local non-governmental organizations, communities and community centers to assist the projects implemented by them.

14 Other financial items, net

In thousand drams

| | Year ended December 31, 2015 | Year ended December 31, 2014 |
|------------------------------------|------------------------------------|------------------------------------|
| Gain from exchange differences on: | | |
| Term deposits | 3,806 | 32,548 |
| Cash and bank balances | (173) | 5,845 |
| | <u>3,633</u> | <u>38,393</u> |

15 Income tax expense

In thousand drams

| | Year ended December 31, 2015 | Year ended December 31, 2014 |
|-------------|------------------------------------|------------------------------------|
| Current tax | <u>3,247</u> | <u>3,357</u> |

Reconciliation of effective tax rate is as follows:

| In thousand drams | Year ended December 31, 2015 | Effective tax rate (%) | Year ended December 31, 2014 | Effective tax rate (%) |
|--|------------------------------------|---------------------------|------------------------------------|---------------------------|
| Result before taxation (under IFRS) | (5,400) | | 64,330 | |
| Tax calculated at a tax rate of 20% (2014: 20%) | (1,080) | 20 | 12,866 | 20 |
| (Non-taxable)/non-deductible items, net | 4,327 | (80) | (9,509) | (15) |
| Income tax expense | 3,247 | (60) | 3,357 | 5 |

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

Useful lives of property and equipment

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

Average market rate of the borrowings provided

As disclosed in note 5, the Foundation provides borrowings to credit organizations. Management believes that the carrying amounts of the borrowings provided are the same as their fair values, so they are not discounted by market rates based on the absence of appropriate financial market in the Republic of Armenia for receiving and providing borrowings of such amounts and with such conditions, as well as the fact that the Foundation is a non-governmental organization, and it does not have any purpose of gaining profit. However, if the management changes its estimations, the financial statements of the Foundation may be changed significantly.

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 3.5.

17.2 Categories of financial instruments

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

Financial assets

In thousand drams

| | As of December 31, 2015 | As of December 31, 2014 |
|-------------------------------|-------------------------------|-------------------------------|
| Held-to-maturity investments: | | |
| Term deposits | 285,414 | 293,965 |
| Loans and receivables: | | |
| Borrowings provided | 301,903 | 303,002 |
| Cash and bank balances | 52,173 | 26,889 |
| | <u>639,490</u> | <u>623,856</u> |

18 Financial risk management

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

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 its operating activity.

Foreign currency risk

Most of the Foundation’s contributions are kept in US dollar and Euro. Hence, exposures to exchange rate fluctuations arise.

Foreign currency denominated financial assets, 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 | | |
|-------------------------|------------------|--------------|
| 2015 | <u>US dollar</u> | <u>Euro</u> |
| <i>Financial assets</i> | | |
| Term deposits | 228,894 | - |
| Cash and bank balances | <u>17,528</u> | <u>2,436</u> |
| | <u>246,422</u> | <u>2,436</u> |

| Item | | |
|-------------------------|------------------|--------------|
| 2014 | <u>US dollar</u> | <u>Euro</u> |
| <i>Financial assets</i> | | |
| Term deposits | 226,086 | - |
| Cash and bank balances | <u>19,732</u> | <u>2,667</u> |
| | <u>245,818</u> | <u>2,667</u> |

The Foundation is mainly exposed to US dollar and Euro risks. The following table details the Foundation’s sensitivity to a 10% (2014: 10%) increase and decrease in dram against US dollar and Euro. 10% (2014: 10%) represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2014: 10%) change in foreign currency rates.

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

| In thousand drams | <u>US dollar impact</u> | | <u>Euro impact</u> | |
|-------------------|-------------------------|---------------|--------------------|-------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Result | <u>24,642</u> | <u>24,582</u> | <u>244</u> | <u>267</u> |

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

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Foundation. The Foundation has adopted a policy of only dealing with creditworthy counterparties.

The effect of this risk for the Foundation arises from the borrowings provided, which are not secured because the borrowings were provided with the objective of being transferred to agricultural cooperatives to assist the micro-loan program of farmers or for the realization of other benevolent projects.

The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

| In thousand drams | As of December 31, 2015 | As of December 31, 2014 |
|--------------------------------------|-------------------------------|-------------------------------|
| Financial assets at carrying amounts | | |
| Cash and bank balances | 52,173 | 26,889 |
| Term deposits | 285,414 | 293,965 |
| Borrowings provided | 301,903 | 303,002 |
| | <u>639,490</u> | <u>623,856</u> |

During 2015 and 2014 the borrowings were provided to CARD AgroCredit UCO CJSC for agricultural financing. Management believes that the borrowings provided are fully recoverable.

As of December 31, 2015 the Foundation created a provision of drams 52,098 thousand for other borrowings (December 31, 2014: drams 53,350 thousand)

Additionally, management believes that there is no credit risk related to bank balances, since they are kept in reputable commercial banks.

19 Commitments

19.1 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.

19.2 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 operations. Until the Foundation obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Foundation’s operations and financial position.

19.3 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.

20 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and term deposits. Cash and bank balances at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position, as follows:

| In thousand drams | As of December 31, 2015 | As of December 31, 2014 |
|---------------------------------|-------------------------------|-------------------------------|
| Cash and bank balances | 52,173 | 26,889 |
| Term deposits (refer to note 7) | 281,557 | 288,400 |
| | <u>333,730</u> | <u>315,289</u> |

21 Related parties

The Foundation's related parties include its parent and key management personnel as described below.

21.1 Transactions with related parties

During 2015 the Foundation received drams 242,674 thousand from its Founder (2014: drams 198,594 thousand).

During 2014 the Foundation transferred drams 16,184 thousand (US dollar 34,970) to the offices of "Jinishian" Memorial Foundation in Syria and Lebanon to provide financial assistance to the Armenian communities in the Syrian Arab Republic and the Republic of Lebanon (refer to note 10).

21.2 Transactions with management and close family members

Key management received the following remuneration during the year:

| In thousand drams | Year ended December 31, 2015 | Year ended December 31, 2014 |
|----------------------|------------------------------------|------------------------------------|
| Salaries and bonuses | <u>23,277</u> | <u>19,546</u> |



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