

«Children of Armenia»

Charitable Fund

Financial Statements and Independent Auditor's Report

31 December 2024

YEREVAN 2025

Contents

Independent Auditor's Report	3
Statement of Financial Position	6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes Attached to the Financial Statements	10



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CONFIRMED BY

Vahe Gevorgyan

*Baker Tilly Armenia CJSC
General Director*

INDEPENDENT AUDITOR'S REPORT

To the Trustees of the "Children of Armenia" Charitable Fund

Opinion

We have audited the financial statements of the "Children of Armenia" Charitable Fund, which comprise the statement of financial position as of December 31, 2024, and the statements of activities, changes in net assets, and cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2024, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis of 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 ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The Fund's financial statements for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on May 22, 2024.

Responsibility 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 preparing the financial statements on the going concern basis unless management either intends to liquidate the Fund, cease its 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 Responsibility for the Audit of the Financial Statements

Our objective is 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 International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

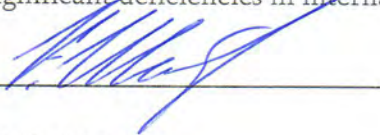
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also,

- Identify and assess the risks of material misstatement of the [consolidated] 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, as well as significant findings from the audit, including any significant deficiencies in internal control that we identify during our audit.



Sedrak Badalyan

Auditor

26 May 2025

STATEMENT OF FINANCIAL POSITION

In thousand drams

	Note	As of 31 December 2024	As of 31 December 2023
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	4	5,745,397	4,707,868
Intangible assets		16,144	9,565
Deferred income tax assets		174	-
Prepayments for acquisition of non-current Assets		2,595	19,551
Borrowings provided		-	3,111
		<u>5,764,310</u>	<u>4,740,095</u>
<i>Current assets</i>			
Inventories	5	457,959	451,185
Trade and other receivables	6	134,884	81,676
Income tax receivables		-	850
Banks deposits	7	2,048,591	139,676
Borrowings provided		4,809	3,396
Cash and bank balances	8	392,365	344,205
		<u>3,038,608</u>	<u>1,020,988</u>
Total assets		<u>8,802,918</u>	<u>5,761,083</u>
Liabilities and net assets			
<i>Non-current liabilities</i>			
Grants related to assets	9	5,742,037	4,736,985
		<u>5,742,037</u>	<u>4,736,985</u>
<i>Current Liabilities</i>			
Loans and borrowings		3,000	-
Trade and other payables	10	141,538	122,985
Income tax liabilities		13,663	-
Grants related to income	11	2,852,534	904,637
		<u>3,010,735</u>	<u>1,027,622</u>
<i>Net assets</i>			
Retained earnings		50,146	(3,524)
		<u>50,146</u>	<u>(3,524)</u>
Total liabilities and reserves		<u>8,802,918</u>	<u>5,761,083</u>

The financial statements were approved on 26 May 2025 by:

Liana Ghahraghyan
Chief Executive Officer

Nvard Karapetyan

Chief Financial Officer, "T Account" LLC



NOTES 1 TO 29 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

STATEMENT OF ACTIVITIES

In thousand drams

	Note	Year ended 31 December 2024	Year ended 31 December 2023
Revenue from sales	12	249,848	105,548
Cost of sales		(69,132)	(38,535)
Gross profit		180,716	67,013
Income from grants	13	2,615,223	2,098,841
Program expenses	14	(2,226,649)	(1,776,589)
		569,290	389,265
Other income		20,789	3,440
Distribution and marketing expenses	15	(166,168)	(83,770)
General and administrative expenses	16	(406,622)	(323,872)
Other expenses		-	(389)
Other financial results		1,202	1,365
Finance income	17	50,006	11,504
		68,497	(2,457)
Income tax expense	18	(14,827)	(1,067)
		53,670	(3,524)

NOTES 1 TO 29 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN NET ASSETS

In thousand drams

	Retained earnings	Total
As of 1 January, 2023	-	-
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)
Result for the year	53,670	53,670
Total comprehensive income for the year	53,670	53,670
As of 31 December, 2024	50,146	50,146

NOTES 1 TO 29 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

In thousand drams

	Year ended 31 December 2024	Year ended 31 December 2023
Cash flows from operating activities		
Profit/(loss) for the year	53,670	(3,524)
<i>Adjustments for:</i>		
Depreciation and amortization	335,866	300,947
Loss on disposal of property, plants and equipment	199,330	71,785
Expense on profit tax	14,827	1,067
Financial income	(50,006)	(11,504)
Income from grants	(2,615,223)	(2,098,841)
Other financial results	(1,202)	(1,365)
	<u>(2,062,738)</u>	<u>(1,741,435)</u>
<i>Changes in the following accounts:</i>		
Inventories	(6,774)	(3,777)
Accounts receivable	(36,653)	77,550
Bank deposits	(1,871,500)	(12,850)
Accounts payable	18,810	48,030
<i>Cash used in operations</i>	<u>(3,958,855)</u>	<u>(1,632,482)</u>
Profit tax paid	(1,721)	(11,808)
<i>Net cash used in operating activities</i>	<u>(3,960,576)</u>	<u>(1,644,290)</u>
<i>Cash flows from investing activities</i>		
Acquisition of property, plant and equipment	(1,570,949)	(968,149)
Borrowings provided	1,698	283
Interest received	5,469	11,504
Grants received	5,568,172	2,830,789
<i>Net cash generated from investing activities</i>	<u>4,004,390</u>	<u>1,874,427</u>
<i>Cash flows from financing activities</i>		
Proceeds from borrowings	12,000	-
Prepayment of borrowings	(9,000)	-
<i>Net cash generated from financing activities</i>	<u>3,000</u>	<u>-</u>
<i>Net increase in cash and bank balances</i>	46,814	230,137
Foreign exchange effect on cash	1,346	1,591
Cash and bank balances at the beginning of the year (see note 8)	344,205	112,477
Cash and bank balances at the end of the year (see note 8)	<u>392,365</u>	<u>344,205</u>

NOTES 1 TO 29 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

NOTES ATTACHED TO THE FINANCIAL STATEMENTS

1 NATURE OF OPERATIONS AND GENERAL INFORMATION

"Children of Armenia" Charitable Fund was established in 2003.

The Fund's mission is to support the well-being, healthcare, and education of children in Armenia through the implementation of healthcare, educational, infrastructural, economic development, and social programs. The average number of employees of the Fund in 2024 was 169 (2023: 169). The legal address of the Fund is: 2/2 Melik-Adamyan Street, Yerevan 0001, Armenia.

Business environment

The situation in the Republic of Armenia has escalated due to the war initiated by Azerbaijan. Despite the ceasefire agreement, the short- and long-term economic consequences of the conflict for Armenia remain uncertain.

In 2024, the political situation in the Republic of Armenia continues to be relatively unstable. The aftermath of the 44-day Artsakh war still has a significant impact on the country's overall economy. In September 2023, approximately 120,000 ethnic Armenians were forcibly displaced from Artsakh to Armenia, which caused additional economic and political shocks.

Due to the prevailing political instability, periodic closure of international transport routes, and short-term violations of the ceasefire regime, it is difficult to accurately forecast the potential economic impact of these conditions on the operations of the Fund. Political and economic reforms in Armenia, as well as the development of its legal, tax, and regulatory systems, are ongoing. The stability and development of the Armenian economy largely depend on the outcomes of these reforms. The government has reiterated its commitment to effective governance, which includes anti-corruption measures, transparency, and accountability.

The aforementioned events may have a significant impact on the future operations and financial stability of the Fund, the full consequences of which are currently difficult to predict. Future political and economic developments and their effects on the Fund's operations may differ from the management's current expectations.

These financial statements do not reflect the potential future impact of the above-mentioned circumstances 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 (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on the assumption that the Fund operates as a going concern.

2.2 Basis of measurement

The financial statements have been prepared on an accrual basis (except for the statement of cash flows) and using the historical cost method.

2.3 Functional and presentation currency

The functional currency of the Fund is the Armenian dram (AMD), which is also the national currency of the Republic of Armenia, as it most faithfully represents the economic substance of the underlying events and transactions of the Fund.

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

2.4 Use of estimates and judgment

The preparation of financial statements in accordance with IFRS requires the Fund's management to make significant judgments and assumptions that affect the reported amounts of assets and liabilities at the financial statement date, as well as the reported amounts of income and expenses for the reporting year. The areas that involve the most significant judgments and complexities, or where assumptions and estimates are material to the financial statements, are disclosed in Note 23 to the financial statements.

2.5 Adoption of new and revised standards

During the current year, the Fund has adopted all new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) that are effective for periods beginning on or after January 1, 2024, and are relevant to its operations.

The nature and impact of these changes are disclosed below.

New and Revised Standards and Interpretations Applicable for Annual Periods Beginning on or After January 1, 2024

The following new standards and amendments, which were first applied in 2023, have not had any material impact on the Fund's financial statements:

- *"Amendments to IFRS 17 Insurance Contracts," including the extension of the temporary exemption from applying IFRS 9 (Amendments to IFRS 4)*
- *"Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (Amendments to IAS 12)*
- *Initial application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)*
- *"Definition of Accounting Estimates" (Amendments to IAS 8)*
- *"Disclosure of Accounting Policies" (Amendments to IAS 1 and IFRS Practice Statement 2)*
- *"International Tax Reforms – Pillar Two Rules" (Amendments to IAS 12)*

Except for the amendments to IAS 1 and the IFRS Practice Statement 2 "Disclosure of Accounting Policies" described above, the other standards and amendments have not had a material effect on the Fund's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies".

The amendments to IAS 1 and IFRS Practice Statement 2 provide guidance and examples to assist entities in applying materiality judgments when disclosing accounting policies.

The objective of the amendments is to help entities provide more useful information about accounting policies by replacing the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies, and by adding guidance on how entities should apply the concept of materiality.

Standards, Amendments, and Interpretations Related to Existing Standards Not Yet Effective and Not Early Adopted by the Fund

As of the date of approval of these financial statements, the International Accounting Standards Board (IASB) has issued certain new standards, amendments, and interpretations related to existing standards that are not yet effective and have not been early adopted by the Fund.

Management anticipates that all applicable pronouncements will be adopted in the Fund's accounting policies from the beginning of the first reporting period following their effective dates.

Management expects that these amendments will not have a material impact on the Fund's financial statements. These pronouncements are as follows:

"Lack of Exchangeability" (Amendments to IAS 21)

"Classification and Measurement of Financial Instruments" (Amendments to IFRS 9 and IFRS 7)

IFRS 18 "Presentation and Disclosure of Financial Statements"

"Amendments to Classification and Measurement of Financial Instruments" (Amendments to IFRS 9 and IFRS 7)

IFRS 18 "Presentation and Disclosure of Financial Statements"

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

3.1 Foreign currencies

Foreign currency transactions

When preparing the financial statements, transactions carried out in currencies other than the Fund's functional currency are recorded at the exchange rate published by the Central Bank of the Republic of Armenia (CBA) as of the transaction date. Monetary items denominated in foreign currencies are retranslated at the exchange rate published by the CBA at the reporting date. As of December 31, 2024, the exchange rates were 1 US Dollar = AMD 396.56 and 1 Euro = AMD 413.89 (as of December 31, 2023, 1 US Dollar = AMD 404.79 and 1 Euro = AMD 447.90). Non-monetary items are not retranslated and are measured at historical cost. Exchange differences arising from foreign currency transactions and the retranslation of monetary items denominated in foreign currencies are recognized in profit or loss for the period.

3.2 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Fund becomes a party 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 assets are transferred to a third party along with substantially all the risks and rewards of ownership.

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

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, 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 profit or loss are presented within finance costs, finance income, or other financial results, except for impairment of trade receivables, which is presented within other expenses. The Fund's financial assets by category are disclosed in Note 20.

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 cash equivalents, trade and most other receivables fall into this category of financial instruments.

Trade and other receivables

The Fund accounts for trade and other receivables using the simplified approach and recognizes a loss allowance based on the expected credit losses over the lifetime of the asset. These represent the expected shortfalls in contractual cash flows, taking into account the possibility of default at any time during the life of the financial asset. When calculating expected credit losses, the Fund uses a provision matrix based on historical experience, external indicators, and forward-looking information. The Fund assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Cash and cash equivalents

Cash and bank balances include cash on hand and balances in bank accounts. For the purpose of the cash flow statement, cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Fund classifies investments as cash equivalents when they are readily convertible to known amounts of cash and their value is subject to an insignificant risk of change.

Classification and measurement of financial liabilities

The Fund's financial liabilities include loans and borrowings, trade and other payables, and lease liabilities. The Fund's financial liabilities, classified by category, are presented in Note 20.

Loans and borrowings

Loans and borrowings are initially recognized at fair value, excluding transaction costs. The difference between the fair value and the nominal amount is recognized in profit or loss, except in cases where the borrowing is obtained from the owners. In such cases, the difference between the fair value and the nominal amount is recognized in equity as additional paid-in capital. After initial recognition, loans and borrowings are measured at amortized cost, and the difference between this amount and the redemption value is recognized in profit or loss over the term of the borrowing using the effective interest rate method. Interest expenses and other costs related to borrowings are expensed as incurred as part of finance costs, except for borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset, which are capitalized as part of the cost of that asset.

Trade and other payables

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

3.3 Grants

A grant is not recognized until there is reasonable assurance that the Fund will comply with all attached conditions and that the grant will be received.

Grants whose primary condition is the purchase, construction, or acquisition of non-current assets by the Fund are recognized in the statement of financial position as deferred income and systematically released to profit or loss over the useful life of the related asset.

Other government grants are recognized on a systematic basis as income over the periods in which the related expenses, for which the grants are intended to compensate, are incurred. A government grant that is provided to the Fund as compensation for expenses or losses already incurred, or as urgent financial assistance without the need for future related expenses, is recognized as income in the period in which it becomes receivable.

3.4 Provisions

A provision is recognized in the statement of financial position when the Fund has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, the provision is measured by discounting the expected future cash outflows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where applicable, the risks specific to the liability.

3.5 Income tax

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

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their respective tax bases used for tax purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would arise from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

3.6 Employee benefits

Short-term employee benefits are those benefits that are expected to be settled wholly within twelve months after the end of the annual reporting period during which the employees have rendered the related service. These include:

- (a) wages and salaries,

- (b) paid annual leaves and paid disability leaves.

Paid absences

Expected expenses for short-term employee benefits in the form of paid absences are recognized as follows:

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

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.

3.7 Revenue and sales income

Revenue is primarily generated from providing hotel services and the sale of educational textbooks. To determine whether revenue should be recognized, the Fund follows a five-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 revenue when/as performance obligation(s) are satisfied.

Revenue from grants

The policy for recognizing this income is presented in note 3.7.

4 PROPERTY, PLANT AND EQUIPMENT

In thousand drams

	Land, buildings and constructions	Machinery and equipment	Vehicles, property and others	Construction in progress, leasehold improvements	Total
<i>Initial cost</i>					
as of 1 January 2023	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 transfers	1,298,577	66,413	137,441	(1,502,431)	-
Reclassification to inventory category	-	-	-	(434,134)	(434,134)
as of 31 December 2023	4,370,091	648,792	728,323	203,740	5,950,946
Additions	97,643	105,424	12,600	1,355,282	1,570,949
Disposals	-	(7,302)	-	(199,746)	(207,048)
as of 31 December 2024	4,467,734	746,914	740,923	1,359,276	7,314,847
					-
<i>Accumulated depreciation</i>					
as of 1 January 2023	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
Charge for the year	150,101	75,466	28,173	80,350	334,090
Eliminated on disposal	-	(7,180)	-	(538)	(7,718)
as of 31 December 2024	656,115	418,786	338,083	156,466	1,569,450
<i>Carrying amount</i>					
as of 31 December 2023	3,864,077	298,292	418,413	127,086	4,707,868
as of 31 December 2024	3,811,619	328,128	402,840	1,202,810	5,745,397

Depreciation expense of fixed assets was allocated to selling expenses amounting to AMD 1,832 thousand, and program expenses amounting to AMD 332,258 thousand (for 2023: to general and administrative expenses AMD 71,752 thousand, and program expenses AMD 227,762 thousand). The Fund's fixed assets were not pledged as of the reporting date.

5 INVENTORIES

In thousand drams

	As of 31 December 2024	As of 31 December 2023
Finished goods	598	-
Construction in progress	432,781	372,413
Goods designated for donation	14,326	70,300
Raw materials	8,372	6,611
Fuel	1,882	1,861
	457,959	451,185

The Fund's inventories are not pledged as collateral.

6 TRADE AND OTHER RECEIVABLES

In thousand drams

	As of 31 December 2024	As of 31 December 2023
<i>Financial assets</i>		
Trade receivables	4,453	-
	4,453	-
<i>Non-financial assets</i>		
Advances paid	115,088	49,791
Receivables from the State budget	1,481	25
Grants receivable	13,862	26,887
Other	-	4,973
	130,431	81,676
	134,884	81,676

7 BANK DEPOSITS

In thousand drams	Contract		Contract Maturity date	As of 31 December 2024		As of 31 December 2023	
	Contract signing date	Interest rate		Principal amount	Accrued interest	Principal amount	Accrued interest
Ameribank CJSC	7.02.2024	7.6%	30.09.2024	-	-	-	-
Ameribank CJSC	7.02.2024	9.6%	7.02.2025	77,000	6,663	-	-
Ameribank CJSC	29.10.2024	9.6%	29.10.2026	1,546,000	26,024	-	-
Ameribank CJSC	30.10.2024	9.6%	29.10.2026	386,500	6,404	-	-
Ameribank CJSC	24.07.2023	6.5%	01.02.2024	-	-	77,000	817
Ameribank CJSC	17.12.2023	7.5%	31.01.2024	-	-	61,000	859
Ameribank CJSC	16.12.2022	9.5%	17.12.2023	-	-	-	350
				2,009,500	39,091	138,000	1,676
						42,884	2,026

8 CASH AND BANK BALANCES

In thousand drams

	As of 31 December 2024	As of 31 December 2023
Cash on hand	665	150
Bank accounts	389,471	343,601
Cash in transit	2,229	454
	<u>392,365</u>	<u>344,205</u>

See Note 21 for disclosure of currencies of cash on hand and bank balances.

9 DONATIONS RELATED TO ASSETS

In thousand drams

	2024թ.	2023թ.
Opening balance	4,736,985	4,577,850
Funds received during the year	172,400	1,558
Additions from income-related donations	1,166,846	456,980
Usage during the year	(334,194)	(299,403)
Closing balance	<u>5,742,037</u>	<u>4,736,985</u>

10 TRADE AND OTHER PAYABLES

In thousand drams

	As of 31 December 2024	As of 31 December 2023
Provision for warranty amounts on construction contracts	53,488	45,538
Accounts payable for acquisition of non-current assets	23,001	-
Accounts payable for received services	42,383	40,547
Provision for unused vacation days	17,742	2,619
Accounts payable for inventory purchases	2,083	850
Accounts payable to the State budget	2,449	33,415
Other	392	16
	<u>141,538</u>	<u>122,985</u>

No interest is accrued on trade payables. The Fund has financial risk management policies in place to ensure timely settlement of all liabilities.

More detailed information regarding the Fund's foreign currency risk is provided in Note 21.

11 DONATIONS RELATED TO INCOME

In thousand drams

	As of 31 December 2024	As of 31 December 2023
Opening balance	904,637	330,266
Funds received during the year	5,376,416	2,840,977
Grant refund	(960)	(37,075)
Grants receivable	20,316	26,887
Transfers to donations related to assets (see Note 9)	(1,166,846)	(456,980)
Usage during the year	(2,281,029)	(1,799,438)
Closing balance	2,852,534	904,637

Funds received from donors during the year are presented below:

In thousand drams

	2024թ.	2023թ.
Children of Armenia Fund, New York	5,165,757	2,530,605
H. O. P. E. program	37,943	98,996
U.S. Embassy in the Republic of Armenia	77,213	81,841
German Agency for International Cooperation (GIZ GmbH)	-	80,125
Armenian Evangelical Union of North America (AEUNA) – Armenia Branch	4,620	16,128
European Bank for Reconstruction and Development (EBRD)	21,048	-
Vahe and Lucy Fund	24,012	-
Other	45,823	33,282
	5,376,416	2,840,977

The closing balance represents the unused funds received from the donors listed below:

In thousand drams

	As of 31 December 2024	As of 31 December 2023
Children of Armenia Fund, New York	2,765,239	711,977
H. O. P. E. program	32,272	89,261
U.S. Embassy in the Republic of Armenia	18,868	69,761
Vahe and Lucy Fund	1,490	-
Armenian Evangelical Union of North America (AEUNA) – Armenia Branch	5,340	8,535
Other	29,325	25,103
	2,852,534	904,637

12 OPERATING INCOME

In thousand drams

	Year ended 31 December 2024	Year ended 31 December 2023
<i>Income from services provided</i>		
Concept hotel	199,423	105,548
Visitor center	10,530	-
Other	37,028	-
	<u>246,981</u>	<u>105,548</u>
<i>Income from sale of goods</i>		
Sale of textbooks and notebooks	2,867	-
	<u>2,867</u>	<u>-</u>
	<u>249,848</u>	<u>105,548</u>

13 INCOME FROM DONATIONS

In thousand drams

	Year ended 31 December 2024	Year ended 31 December 2023
Income from Donations Related to Revenue	2,281,029	1,799,438
Income from Donations Related to Assets	334,194	299,403
	<u>2,615,223</u>	<u>2,098,841</u>

14 PROGRAM EXPENSES

In thousand drams

	Year ended 31 December 2024	Year ended 31 December 2023
Educational programs	421,697	240,131
Healthcare programs	514,170	57,166
Smart center expenses	474,800	901,419
Social programs	201,640	191,892
Infrastructure development	219,781	208,207
Economic development	45,349	171,684
Communication expenses	104,380	-
Development expenses	54,045	-
Other	190,787	6,090
	<u>2,226,649</u>	<u>1,776,589</u>

15 OPERATING EXPENSES

In thousand drams

	Year ended 31 December 2024	Year ended 31 December 2023
Depreciation and amortization	1,178	-
Employee compensation	123,777	74,737
Insurance	3,205	2,894
Marketing and other expenses	38,008	6,139
	<u>166,168</u>	<u>83,770</u>

16 GENERAL AND ADMINISTRATIVE EXPENSES

In thousand drams

	Year ended 31 December 2024	Year ended 31 December 2023
Professional and consulting services	46,751	4,290
Employee compensation	208,517	173,986
Rent and utility expenses	59,523	55,598
Maintenance and depreciation	21,830	35,523
Banking and insurance expenses	16,479	13,606
Travel and representation expenses	7,761	2,124
Foreign exchange expenses	349	137
Other expenses	45,412	38,608
	<u>406,622</u>	<u>323,872</u>

17 FINANCIAL INCOME

In thousand drams

	Year ended 31 December 2024	Year ended 31 December 2023
Interest income from bank deposits	42,884	2,026
Income accrued on positive bank account balances	7,122	9,478
	<u>50,006</u>	<u>11,504</u>

18 INCOME TAX EXPENSE

In thousand drams

	Year ended 31 December 2024	Year ended 31 December 2023
Current tax	15,001	1,067
Deferred tax	(174)	-
	<u>14,827</u>	<u>1,067</u>

The reconciliation of the effective tax rate is presented below:

In thousand drams

	Year ended 31 December 2024	Effective tax rate (%)	Year ended 31 December 2023	Effective tax rate (%)
Profit/(Loss) Before Tax (According to IFRS)	<u>68,497</u>		<u>(2,457)</u>	
Income Tax at 18% Rate (2023: 18%)	12,329	18.0	(442)	18.0
(Non-Taxable Income) / Non- Deductible Expenses, Net	<u>2,498</u>	<u>3.6</u>	<u>1,509</u>	<u>(61.4)</u>
Income tax expense	<u>14,827</u>	<u>21.6</u>	<u>1,067</u>	<u>(43.4)</u>

19 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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.

19.1 Critical accounting estimates

The Fund makes estimates and assumptions concerning the future. These accounting estimates may differ from the actual results. Below are the estimates and assumptions for which there is a risk that the carrying amounts of assets and liabilities may be subject to significant adjustments in the next financial year.

Useful Lives of Property, Plant and Equipment and Intangible Assets

Management has assessed the useful lives of property, plant and equipment and intangible assets. In management's opinion, the estimated useful lives of these assets do not materially differ from their economic lives. If the actual useful lives of property, plant and equipment and intangible assets differ from these estimates, the financial statements could be materially affected.

19.2 Critical judgments

Below are the judgments made by management in applying accounting policies that have the most significant impact on the financial statements.

Recognition of deferred tax assets

The amount of deferred tax assets that can be recognized depends on the assessment of the likelihood that future taxable profits will be available against which the deductible temporary differences and tax losses carried forward can be utilized. Additionally, significant judgment is required when evaluating legal and economic constraints and uncertainties within the tax environment.

20 FINANCIAL INSTRUMENTS

20.1 Material accounting policies

The accounting policies and applied methods for each class of financial assets and financial liabilities, as well as the criteria and basis for recognising income and expenses, are presented in Note 3.

20.2 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 2024	As of 31 December 2023
<i>Financial assets measured at amortized cost</i>		
Borrowings provided	4,809	6,507
Bank deposits	2,009,500	138,000
Cash and bank balances	392,365	344,205
	<u>2,406,674</u>	<u>488,712</u>

Financial liabilities

In thousand drams

	As of 31 December 2024	As of 31 December 2023
<i>Financial liabilities measured at amortized cost</i>		
Accounts payable	121,347	86,951
	<u>121,347</u>	<u>86,951</u>

21 FINANCIAL RISK MANAGEMENT

The Fund is exposed to various risks related to financial instruments. These risks include market risk, credit risk, and liquidity risk.

The Fund is not engaged in active trading of financial assets for speculative purposes, nor does it issue options. The most significant financial risks to which the Fund may be exposed are described below.

Financial risk factors

a) Market risk

During the use of financial instruments, the Fund is exposed to market risk, particularly foreign currency risk, interest rate risk, and certain other price risks arising from both operational and investment activities.

b) Foreign currency risk

The Fund conducts transactions in foreign currencies and, therefore, is exposed to fluctuations in foreign exchange rates.

The majority of the Fund's transactions are carried out in Armenian drams. Exposure to foreign exchange rate fluctuations arises from the Fund's foreign sales and purchases, which are primarily denominated in US dollars, euros, and other currencies.

The financial assets and liabilities denominated in foreign currencies that expose the Fund to foreign currency risk are described below. The amounts presented represent information provided to key management personnel, expressed in Armenian drams at the exchange rates prevailing at the end of the reporting period.

Item

	As of 31 December 2024	As of 31 December 2023
	US dollar	
<i>Financial assets</i>		
Bank balances	450	178,772
Net result	450	178,772

Item

	As of 31 December 2024	As of 31 December 2023
	Euro	
<i>Financial assets</i>		
Bank balances	28,803	5
Net result	28,803	5

The table below presents the Fund's sensitivity to a 10% (2023: 10%) increase/decrease of the Armenian dram against the US dollar, euro, and other currencies. The 10% (2023: 10%) represents the exchange rate fluctuation deemed probable by management. The sensitivity analysis includes only the balances of dram-denominated items expressed in foreign currencies and adjusts their conversion at the period-end exchange rate by 10% (2023: 10%).

A 10% (2023: 10%) appreciation/depreciation of the Armenian dram against the US dollar and euro would have the following impact:

In thousand drams

	Impact of US dollar		Impact of Euro	
	2024թ.	2023թ.	2024թ.	2023թ.
Profit or loss	4	17,877	2,880	-

The effect of foreign exchange rate fluctuations varies during the year depending on the volume of foreign transactions. Nevertheless, the above analysis is considered to reflect the Fund's exposure to foreign currency risk.

c) Liquidity risk

Liquidity risk is the risk that the Fund will be unable to meet its obligations as they fall due.

The Fund manages its liquidity risk by maintaining sufficient funds in cash and bank accounts, as well as holding highly liquid assets to ensure the timely settlement of operational liabilities.

In thousand drams

	As of 31 December 2024	As of 31 December 2023
<i>Non-interest bearing</i>		
Up to 6 months	44,858	41,413
6 months to 1 year	23,001	45,538
More than 1 year	53,488	-
	<u>121,347</u>	<u>86,951</u>

In assessing and managing liquidity risk, the Fund considers the expected cash flows from its financial assets, particularly cash and trade receivables. The Fund's current assets exceed its current liabilities.

22 CONTINGENCIES

22.1 Insurance

The insurance sector in Armenia is still in a developing stage, and many types of insurance coverage common in other countries are not yet widely available. The Fund does not maintain comprehensive insurance coverage for its assets or for business interruption. It also does not carry third-party liability insurance for potential damages to property or the environment arising from accidents related to its assets or operations. As long as the Fund is not adequately insured, there is a risk that the loss or destruction of certain assets could have a materially adverse effect on the Fund's operations and financial position.

22.2 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.

23 RELATED PARTIES

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

23.1 Control

The Fund is governed by the Board of Trustees. An entity under common control is the "Children of Armenia Fund New York" Fund, which operates in the United States and is located at 149 Fifth Avenue, Room 500, New York, NY, USA.500.

23.2 Transactions with related parties

During the reporting year, the Fund engaged in the following transactions with related parties, and the balances outstanding as of the reporting date are as follows:

In thousand drams

Transactions

Entities under common control

Receipt of grants

Year ended 31 December 2024	Year ended 31 December 2023
5,165,757	2,530,605
<u>5,165,757</u>	<u>2,530,605</u>

In thousand drams

Balances

Entities under common control

Grants related to income

Year-end balance

Year ended 31 December 2024	Year ended 31 December 2023
2,765,239	711,977
<u>2,765,239</u>	<u>711,977</u>

23.3 Transactions with management

Key management personnel received the following compensation during the period, which is included in the "Employee Benefits" line item.

In thousand drams

Salaries and bonuses

Year ended 31 December 2024	Year ended 31 December 2023
38,867	39,795