

**Caucasus Institute Foundation**

**Financial Statements**  
**for the year ended 31 December 2017**

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## Independent Auditor's Report

To the Board of Trustees of Caucasus Institute Foundation

### Report on the Financial Statements

#### *Qualified Opinion*

We have audited the accompanying financial statements of Caucasus Institute Foundation (the "Organization"), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of such adjustments, if any, that might have been determined to be necessary had it been practicable to obtain sufficient appropriate audit evidence as described in the first paragraph of the *Basis for Qualified Opinion*, and except for any effects of the matters described in the second paragraph of the *Basis for Qualified Opinion*, the financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *Basis for Qualified Opinion*

As described in Note 9(b), the physical counts of library books stated at AMD 159 thousand as at 31 December 2017 (2016: AMD 279 thousand) and included in the property, plant and equipment and of library books in the off balance sheet account stated at AMD 5,118 thousand (2016: AMD 5,118 thousand) was impracticable to perform as the Organization has not maintained adequate accounting records regarding those items. In addition, the granted books, which had been received during several years were accounted for in the off balance sheet account and had not been recognized as items of property, plant and equipment and measured at fair value as it is required by IAS 16 *Property, plant and equipment* and IAS 18 *Revenue*. It was impracticable to satisfy ourselves as to those library books' quantities by other audit procedures and to determine the effects of this departure from IFRSs, if any, on the carrying amount of property, plant and equipment, grants related to assets, retained earnings and net profit as at and for the years ended 31 December 2017 and 2016.

As described in Note 9(c), during the year ended 31 December 2017 the Organization has not conducted an operational efficiency review of its property, plant and equipment stated at AMD 7,003 thousand (2016: AMD 8,538 thousand), as it is required by IAS 16 *Property, plant and equipment*. The effects of this departure from IFRSs, if any, on the carrying amounts of property, plant and equipment, grants related to assets, retained earnings, depreciation expenses and net profit as at and for the year ended 31 December 2017 and 2016 have not been determined.

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

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

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

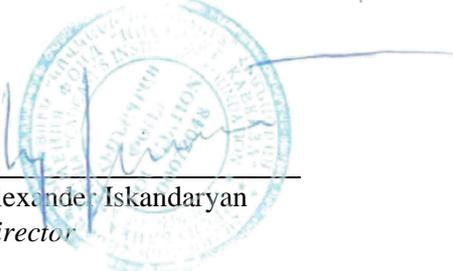


<b>'000 AMD</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	964	1,994
Intangible assets	63	83
<b>Total non-current assets</b>	<b>1,027</b>	<b>2,077</b>
<b>Current assets</b>		
Trade and other receivables	4,524	600
Prepayments given	3,444	587
Short-term bank deposits	-	4,366
Cash and cash equivalents	26,716	11,723
<b>Total current assets</b>	<b>34,684</b>	<b>17,276</b>
<b>Total assets</b>	<b>35,711</b>	<b>19,353</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Retained earnings	24	24
<b>Total equity</b>	<b>24</b>	<b>24</b>
<b>Non-current liabilities</b>		
Grants related to assets	1,027	2,077
<b>Total non-current liabilities</b>	<b>1,027</b>	<b>2,077</b>
<b>Current liabilities</b>		
Grants related to income	32,864	14,719
Trade and other payables	396	1,133
Provisions	1,400	1,400
<b>Total current liabilities</b>	<b>34,660</b>	<b>17,252</b>
<b>Total liabilities</b>	<b>35,687</b>	<b>19,329</b>
<b>Total equity and liabilities</b>	<b>35,711</b>	<b>19,353</b>

*Caucasus Institute Foundation*  
*Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017*

<b>'000 AMD</b>	<b>2017</b>	<b>2016</b>
Revenue	-	<b>2,652</b>
Other income	82,252	68,882
Salaries and social security contributions	(46,249)	(44,828)
Rental expenses	(6,150)	(5,850)
Depreciation and amortization	(1,049)	(1,038)
Other expenses	(29,403)	(20,376)
Finance income	599	558
<b>Profit before income tax</b>	-	-
Income tax benefit/(expense)	-	-
<b>Profit and total comprehensive profit for the year</b>	-	-

These financial statements were approved by management on 15 May 2018 and were signed on its behalf by:



Alexander Iskandaryan  
*Director*



Ofelya Nersesyan  
*Chief Accountant*

*Caucasus Institute Foundation*  
*Statement of Changes in Equity for the year ended 31 December 2017*

<b>'000 AMD</b>	<b>Retained earnings</b>	<b>Total</b>
Balance at 1 January 2016	24	24
<b>Total comprehensive result for the year</b>		
Profit and total comprehensive income for the year	-	-
<b>Total comprehensive result for the year</b>	-	-
<b>Balance at 31 December 2016</b>	<b>24</b>	<b>24</b>
Balance at 1 January 2017	24	24
<b>Total comprehensive result for the year</b>		
Profit and total comprehensive income for the year	-	-
<b>Total comprehensive result for the year</b>	-	-
<b>Balance at 31 December 2017</b>	<b>24</b>	<b>24</b>

*Caucasus Institute Foundation*  
*Statement of Cash Flows for the year ended 31 December 2017*

<b>'000 AMD</b>	<b>2017</b>	<b>2016</b>
	<hr/>	<hr/>
<b>Cash flows from operating activities</b>		
Receipts from customers	-	2,652
Receipts from grants	98,741	74,260
Receipts from other operating activities	-	237
Purchase of inventories	(370)	-
Payments to suppliers of services	(36,761)	(21,791)
Payments to employees and on their behalf	(33,766)	(33,469)
Payments to the State budget	(17,236)	(12,653)
Other cash outflows from operating activities	(514)	(1,444)
<b>Net cash from operating activities</b>	<hr/> <b>10,094</b>	<hr/> <b>7,792</b>
 <b>Investing activities</b>		
Increase in short-term bank deposit	4,300	1,200
Interest received	21	530
Acquisition of property, plant and equipment	-	(751)
<b>Net cash from investing activities</b>	<hr/> <b>4,321</b>	<hr/> <b>979</b>
 <b>Net increase in cash and cash equivalents</b>	<b>14,415</b>	<b>8,771</b>
Cash and cash equivalents at 1 January	11,723	2,904
Effect of exchange rate fluctuations on cash and cash equivalents	578	48
<b>Cash and cash equivalents at 31 December</b>	<hr/> <b>26,716</b>	<hr/> <b>11,723</b>