Financial Statements and Independent Auditor's Report

Urban Foundation For Sustainable Development

31 December 2025

Contents

Independent auditor's report

To the Board of Trustees of the Urban Foundation For Sustainable Development

Opinion

We have audited the financial statements of Urban Foundation For Sustainable Development (the "Foundation"), which comprise the statement of financial position as of 31 December 2025, and the statement of income and expenses and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at 31 December 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 Foundation'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 Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

FSP Advice LLC

Ruzanna Badalyan

Engagement Partner/ Director

26 March, 2026

Yerevan, Republic of Armenia

Statement of financial position

In thousand drams	Note	As of 31 December 2025	As of 31 December 2024
Assets			
Non-current assets			
Property and equipment	4	6,064	6,404
		6,064	6,404
Current assets			
Inventories		195	1,714
Trade and other receivables	5	30,273	3,848
Cash and bank balances	6	47	2,236
		30,515	7,798
Total assets		**36,579**	**14,202**
Net assets and liabilities			
Accumulated result		-	-
		-	-
Non-current liabilities			
Grants related to assets	7	6,064	6,404
		6,064	6,404
Current liabilities			
Loans and borrowings		3,940	-
Trade and other payables	8	9,991	7,798
Grants related to income	9	16,584	-
		30,515	7,798
Total equity and liabilities		**36,579**	**14,202**

The financial statements were approved on 26 March 2026 by:

Nune Ghazakhetsyan
Chief Executive Officer

Karine Gharibyan
Chief Accountant

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 8 to 23.

Statement of income and expenses

In thousand drams	Note	Year ended 31 December 2025	Year ended 31 December 2024
Revenue		36,000	-
Cost		(36,000)	-
		-	-
Income from grant		95,967	398,919
Other income		3,684	16,782
Expenses from grant		(99,396)	(415,689)
Results from operating activities		255	12
Finance income		-	-
Finance costs		(255)	(12)
Result for the year		-	-

The statement of income and expenses is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 23.

Statement of cash flows

In thousand drams	Year ended 31 December 2025	Year ended 31 December 2024
Cash flows from operating activities		
Result for the year	-	-
Adjustments for:		
Depreciation and amortization	1,845	2,402
Income from grant	(95,967)	(398,919)
Operating result before working capital changes	(94,122)	(396,517)
Change in trade and other receivables	(26,425)	1,277
Change in inventories	1,519	(1,088)
Change in trade and other payables	2,916	374
Cash used in operations	(116,112)	(395,954)
Grants received	115,428	398,442
Net cash from/(used in) operating activities	(684)	2,488
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	(1,505)	(252)
Net cash used in investing activities	(1,505)	(252)
Net increase in cash and bank balances	(2,189)	2,236
Foreign exchange effect on cash	-	-
Cash and bank balances at the beginning of the year	2,236	-
Cash and bank balances at the end of the year	47	2,236

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 8 to 23.

Notes to the financial statements

1 Nature of operations and general information

Urban Foundation For Sustainable Development (the "Foundation") is non-commercial organization, which was registered on 9 September 2022 by the State Register of Legal Entities (registration number: A06489).

The purpose of the Foundation is to contribute to the development and implementation of new approaches to the urban economy of the Republic of Armenia, financing of housing and urban infrastructures, municipal management, urban land use, social protection of the population, participation of the population in these processes and solving the problems of the socio-economic policy of the city, the normal development of communities, further local self-government improvement.

The subject and goals of the Foundation:

- implement humanitarian and development projects aimed at the process of economic, town-planning reforms and further reforms in the management of the RA communities;
- assist state and local authorities in developing strategies and effective approaches to urban reform projects and their implementation;
- develop projects on housing policy and socio-economic development of the city, participate in their expertise;
- conduct research on socio-economic problems of urban areas, provide scientific and methodological assistance to communities; legal entities and individuals;
- develop and implement activities and projects aimed at raising public awareness of urban development issues;
- advising legal entities and individuals on urban and housing market development;
- raise public awareness of the recognition, free exercise and protection of their town-planning rights, in particular to equip individual developers, land users, land planners and other subjects of the real estate market with knowledge;
- promote the introduction of new methods and mechanisms for ensuring the safety of urban planning activities, training in this area and of specialists;
- implementation of loan and grant projects aimed at the development of urban economy, implementation of urban planning projects;
- contribute to the preliminary preparation of community master plans, community zoning and land use schemes;
- develop computer knowledge, professional and other work skills of municipal servants, employees of social service organizations and other beneficiaries in order to make them competitive on the labour market;
- support non-commercial, non-governmental and community organizations in organizational and financial management processes, their participation in important decision-making and providing leadership;
- organize and conduct research, print or publish the results in any way;
- advising related to procurement in the field of urban development projects;

- provision of grants to individuals and legal entities, receive grants and manage grant projects with other organizations;
- implementation of infrastructure rehabilitation and construction support projects;
- cover and disseminate valuable examples of world scientific and literary conception; particularly in the field of urban management;
- implement projects aimed at the overall economic development of the RA communities;
- implement microfinance and loan projects aimed at improving living standards and income generation.

The number of employees as of 31 December 2025 of the Foundation was 7 employees (as of 31 December 2024: 37 employees).

The Foundation address is 9 Alek Manukyan, 0070, Yerevan, RA.

Business environment

Armenia's business environment in 2025 continues to be influenced by geopolitical tensions, regional security risks and evolving global economic conditions. These factors contribute to heightened uncertainty for local companies.

Economic performance across sectors was uneven during the period. Growth continued to be supported primarily by the trade, service and construction sectors, reflecting resilient private consumption and investment activity. Industrial output, while previously affected by contractions in select subsectors, demonstrated stability and modest improvement in recent reporting periods, aided by recovery within certain manufacturing activities.

The financial sector remained stable, underpinned by a well-capitalized and adequately regulated banking system. Regulatory oversight and supervisory practices continued to support the maintenance of liquidity, solvency, and operational soundness across financial institutions, despite the presence of external risks. For 2025 Armenia's economic growth was at 5.1%, for 2026 the expectation is at 5.4%.

Management has assessed the impact of the current economic environment on the operations of the Foundation and reflected this in these financial statements. However, the future economic and political situation may differ from current expectations, and such differences could affect the Foundation's financial position, performance, and cash flows.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on an accruals basis and under the historical cost convention.

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 IFRSs requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 11 to the financial statements.

2.5 Adoption of new and revised standards

In the current year the Foundation has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board and IFRS Interpretations Committee of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2025.

The amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* was applied for the first time in 2025, which introduced requirements to assess when a currency is exchangeable into another currency and when it is not. The adoption of this amendment did not have an impact on the financial statements of the Foundation.

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 on or after the effective date of the pronouncement.

- IFRS 18 *Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which replaces IAS 1 Presentation of Financial Statements. Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure financial statements and to provide more detailed and useful information to investors, including:

- two new subtotals defined in the statement of profit or loss and other comprehensive income: operating profit and profit or loss before financing and income taxes

- the classification of all income and expenses within the statement of profit or loss and other comprehensive income in one of five categories: operating, investing, financing, income taxes and discontinued operations

- a new requirement to disclose performance measures defined by management, and

- an improvement in the principles related to the aggregation and disaggregation of information in the financial statements and accompanying notes.

Some of the disclosure requirements previously contained in IAS 1 have been transferred to IAS 8 without any material changes. This applies in particular to disclosures on accounting policies and sources of estimation uncertainty. As a result of these changes, IAS 8 will be renamed to Basis of Preparation of Financial Statements.

In addition, narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operating activities under the indirect method, from "profit or loss" to "operating profit or loss" and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other IFRS Accounting Standards.

IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 will be applied retrospectively with specific transitional provisions.

The Foundation is currently working to identify all the impacts that IFRS 18 will have on the financial statements and notes to the financial statements.

Other new standards, amendments and interpretations not adopted in the current year are not expected to have a material impact on the Foundation's financial statements.

- *Amendments to Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7) (effective for annual reporting periods beginning on or after 1 January 2026)
- *Contracts Referencing Nature-dependent Electricity* (Amendments to IFRS 9 and IFRS 7) (effective for annual reporting periods beginning on or after 1 January 2026)
- Annual Improvements to IFRS Accounting Standards - Volume 11 (effective for annual reporting periods beginning on or after 1 January 2026)
- IFRS 19 *Subsidiaries without Public Accountability: Disclosures* (effective for annual reporting periods beginning on or after 1 January 2027)

3 Summary of material accounting policies

3.1 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date, which is 381.36 drams for 1 US dollar and 449.01 drams for 1 euro as of 31 December 2025 (31 December

2024: 396.56 drams for 1 US dollar and 413.89 drams for 1 euro). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

3.2 Property and equipment

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

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

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

Depreciation is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Vehicles	- 8 years
Fittings	- 1-5 years
Other	- 5 years.

3.3 Impairment of property and equipment and intangible assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment loss is treated as a revaluation increase.

3.4 Leased assets

The Foundation as a lessee

The Foundation makes the use of leasing arrangements principally for the provision of the main office space.

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

Measurement and recognition of leases as a lessee

At lease commencement date, the Foundation recognizes a right-of-use asset and a lease liability in its statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Foundation, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Foundation depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Foundation also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Foundation measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Foundation's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Foundation has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

3.5 Inventories

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

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

3.6 Financial instruments

The Foundation only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

Financial assets that are measured at cost and amortized cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, the impairment loss is recognized in the Statement of Financial Activities.

Recognition 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 substantially all risks and rewards are transferred.

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

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 Foundation'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 items, except for impairment of trade receivables which is presented within other expenses. A summary of the Foundation's financial assets by category is given in note 12.1.

Cash and cash equivalents

Cash and bank balances comprise cash on hand, bank accounts and cash in transit.

For the purpose of the statement of cash flows, cash equivalents are on-demand deposits, together with other short-term, highly liquid investments that are readily convertible into 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 Foundation classifies investments as a cash equivalent if it is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value.

Classification and measurement of financial liabilities

The Foundation's financial liabilities include trade and other payables. A summary of the Foundation's financial liabilities by category is given in note 12.1.

Trade and other payables

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

3.7 Government grants

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

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

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

3.8 Provisions

A provision is recognized in the statement of financial position when the Foundation has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.9 Income tax

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.10 Employee benefits

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

(a) wages, salaries and bonuses;

(b) paid annual leaves and paid disability leaves;

(c) social security contributions and other social payments;

(d) non-monetary benefits.

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

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

(b) as an expense, unless the amount is included in the cost of an asset.

Paid absences

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

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

(b) in the case of non-accumulating paid absences, when the absences occur.

Bonuses

The expected cost of bonus payments is recognized when and only when the Foundation 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 Foundation has no realistic alternative but to make the payments.

3.11 Income

Income of the Foundation arises from the grants received.

4 Property and equipment

In thousand drams	Vehicles and fittings	Other	Total
Cost			
as of 1 January 2024	27,362	240	27,602
Additions	252	-	252
as of 31 December 2024	27,614	240	27,854
Additions	1,490	15	1,505
Disposals	(256)	-	(256)
as of 31 December 2025	28,848	255	29,103
Accumulated depreciation and impairment			
as of 1 January 2024	18,847	201	19,048
Charge for the year	2,402	-	2,402
as of 31 December 2024	21,249	201	21,450
Charge for the year	1,791	54	1,845
Eliminated on disposal	(256)	-	(256)
as of 31 December 2025	22,784	255	23,039
Carrying amount			
as of 31 December 2024	**6,365**	**39**	**6,404**
as of 31 December 2025	**6,064**	**-**	**6,064**

5 Trade and other receivables

In thousand drams	As of 31 December 2025	As of 31 December 2024
Financial assets		
Trade receivables	30,000	412
Borrowings given	112	3,275
Receivables from the State budget	161	161
	30,273	**3,848**

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

6 Cash and bank balances

In thousand drams	As of 31 December 2025	As of 31 December 2024
Cash in hand	1	1
Bank accounts	46	2,235
	47	**2,236**

Refer to note 12 for the currencies in which the cash and bank balances are denominated.

7 Grants related to assets

In thousand drams	As of 31 December 2025	As of 31 December 2024
Balance at the beginning of the year	6,404	8,554
Internal movement	(339)	252
Income recognition	-	(2,402)
Balance at the end of the year	**6,064**	**6,404**

8 Trade and other payables

In thousand drams	As of 31 December 2025	As of 31 December 2024
Trade payables	67	-
Receivables from the State budget	26	
Advances from customers	8,327	-
Provision for vacation	852	7,798
Other	719	-
	9,991	7,798

The Foundation has financial risk management policies to ensure that all payables are paid within the credit timeframe.

Refer to note 12 for more information about the Foundation's exposure to foreign currency risk.

9 Grants related to income

In thousand drams	As of 31 December 2025	As of 31 December 2024
Balance at the beginning of the year	-	99,643
Additions	115,429	297,126
Internal movement	(1,913)	(252)
Refund	(1,280)	-
Income recognition	(95,627)	(396,517)
Balance at the end of the year	16,584	-

10 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.

10.1 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.

11 Financial instruments

11.1 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 and financial liability are disclosed in note 3.6.

11.2 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 2025	As of 31 December 2024
Amortized cost		
Trade and other receivables	30,000	412
Borrowings	112	3,275
Cash and bank balances	161	161
	30,273	3,848

Financial liabilities

In thousand drams	As of 31 December 2025	As of 31 December 2024
Amortized cost		
Trade and other payables	9,991	7,798
	9,991	7,798

12 Financial risk management

The Foundation is exposed to certain foreign currency exchange, credit, interest rate, and liquidity risks. The Foundation receives revenue in currencies and incurs expenses in currencies other than its functional currency, thus it is exposed to foreign currency exchange risk arising from fluctuations in currency exchange rates.

The Foundation is also exposed to exchange risk.

The Foundation does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources which are replenished from the results of its operations. The Foundation's investment policy ensures that its investments are held primarily in liquid short-term deposits.

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

The Foundation does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the 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, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Foreign currency risk

The Foundation receives grants denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Foreign currency denominated financial assets and liabilities which expose the Foundation to currency risk are disclosed below.

Item		
As of 31 December 2025	US dollar	Euro
Financial assets		
Cash and bank balances	-	45
Net position	-	45

Item		
As of 31 December 2024	US dollar	Euro
Financial assets		
Cash and bank balances	163	41
	163	41
Financial liabilities		
Trade and other payables	-	-
	-	-
Net position	163	41

The following table details the Foundation's sensitivity to a 10% (2024: 10%) increase and decrease in dram against US dollar. 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% change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Euro then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2025	2024	2025	2024
Profit or loss	-	16	5	4
	-	16	5	4

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 is exposed to credit risk from financial assets, including cash and cash equivalents held at banks, deposits and donations receivable.

The credit risk is managed on a group basis based on the Foundation's credit risk management policies and procedures.

13 Contingencies

13.1 Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The 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.

13.2 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.

13.3 Environmental matters

Management is of the opinion that the Foundation has met the Government's requirements concerning environmental matters and, therefore, believes that the Company does not have any current material environmental liabilities. However, environmental legislation in Armenia is in process of development and potential changes in the legislation and its interpretation may give rise to material liabilities in the future.

14 Related parties

The Foundation's related parties include its key management.

14.1 Transactions with management and close family members

Key management received the following remuneration during the year:

In thousand drams	Year ended 31 December 2025	Year ended 31 December 2024
Salaries and bonuses	5,720	4,916