

«WIKIMEDIA ARMENIA» SCIENTIFIC-EDUCATIONAL

Non-Governmental Organization

FINANCIAL STATEMENTS

For the year ended December 31, 2018

Contents

Independent auditors' report	3
Statement of financial position	5
Statement of comprehensive income	6
Statement of changes in net assets	7
Statement of cash flow	8
Notes to the financial statements	9

INDEPENDENT AUDITOR'S REPORT

To the Management of «Wikimedia Armenia» Scientific-Educational NGO

Opinion

We have audited the financial statements of «Wikimedia Armenia» Scientific-Educational Non-Governmental Organization (the «Organization»), which comprise the statement of financial position as of 31 December 2018, and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Organization as of 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

Hayk Margaryan

Managing Partner



«Trust Audit» CJSC

06 March, 2019

Ruzanna Badalyan

Auditor

«Wikimedia Armenia» Scientific-Educational NGO

Statement of financial position

For the year ended December 31, 2018

In thousand drams	Note	As of December 31, 2018	As of December 31, 2017
ASSETS			
<i>Non-current assets</i>			
Property and equipment	4	16,816	12,069
Intangible assets		185	207
<i>Total non-current assets</i>		<i>17,001</i>	<i>12,276</i>
<i>Current assets</i>			
Trade and other receivables		299	3,827
Cash and cash equivalents	5	41,934	33,876
<i>Total current assets</i>		<i>42,233</i>	<i>37,703</i>
TOTAL ASSETS		59,234	49,979
NET ASSETS			
Accumulated profit		422	157
<i>Total net assets</i>		<i>422</i>	<i>157</i>
<i>Non-current liabilities</i>			
Grants related to assets	6	17,001	12,276
<i>Total non-currents liabilities</i>		<i>17,001</i>	<i>12,276</i>
<i>Current liabilities</i>			
Trade and other payables	7	2,698	3,307
Grants related to income	8	39,113	34,239
<i>Total current liabilities</i>		<i>41,811</i>	<i>37,546</i>
TOTAL LIABILITIES AND NET ASSETS		59,234	49,979

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 9 to 22.

«Wikimedia Armenia» Scientific-Educational NGO

Statement of comprehensive income

For the year ended December 31, 2018

In thousand drams	Note	Year ended 31 December 2018	Year ended 31 December 2017
Revenue from services	9	15,359	-
Income from donations	10	2,838	2,735
Income from grants	11	159,829	132,895
Other income		10	4
Cost of sales		(15,359)	-
Grant expenses	12	(161,906)	(134,400)
Administrative expenses		(335)	(607)
Other operating expenses		(415)	(627)
Results from operating activities		21	-
Foreign currency exchange gain/(loss), net	13	244	465
Profit before income tax		265	465
Profit for the year		265	465
<i>Other comprehensive income</i>			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		265	465

The financial statements were approved on March 6, 2019 by:



 Susanna Mkrtchyan
 President



 Tigran Martirosyan
 Chief Accountant

The Statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the Financial Statements set out on pages 9 to 22.

«Wikimedia Armenia» Scientific-Educational NGO

Statement of changes in net assets

For the year ended December 31, 2018

In thousand drams	Accumulated profit/(loss)	Total
As of 1 January 2017	(308)	(308)
Profit for the year	465	465
Total comprehensive income for the year	465	465
As of 31 December 2017	157	157
Profit for the year	265	265
Total comprehensive income for the year	265	265
As of 31 December 2018	422	422

The statement of changes in net assets is to be read in conjunction with the notes to, and forming part of, the Financial Statements set out on pages 9 to 22.

«Wikimedia Armenia» Scientific-Educational NGO

Statement of Cash Flow

For the year ended December 31, 2018

In thousand drams	Year ended 31 December 2018	Year ended 31 December 2017
<i>Cash flows from operating activities</i>		
Donations received	2,838	6,987
Grants received	173,130	120,419
Cash inflow from services	15,390	-
Repayment of provided cash on hand	735	-
Return of incorrectly charged fund	12,150	-
Payments to and on behalf of employees	(64,922)	(27,440)
Payments to suppliers	(108,899)	(94,487)
Provided cash on hand	(6,205)	(5,818)
Payments to the State budget	(5,165)	(55)
Other operating costs	(414)	(648)
<i>Net cash from operating activities</i>	18,638	(1,042)
<i>Cash flows from investing activities</i>		
Cash paid for acquisition of property and equipment	(10,824)	(12,321)
Cash paid for acquisition of intangible assets	-	(220)
<i>Net cash used in investing activities</i>	(10,824)	(12,541)
<i>Net cash used in investing activities</i>	7,814	(13,583)
Cash and bank balances at the beginning of the year	33,876	46,994
Foreign exchange effect on cash	244	465
<i>Cash and bank balances at the end of the year</i>	41,934	33,876

The Statement of Cash Flow is to be read in conjunction with the notes to, and forming part of, the Financial Statements set out on pages 9 to 22.

1. Nature of operations and general information

«Wikimedia Armenia» Scientific-Educational NGO was registered on 14 May, 2013 by the Central body of the Ministry of Justice of RA (Registration Number 211.171.767514, Certificate 03U917514, tax code 00123832).

«Wikimedia Armenia» does not operate for the profit. In the Organization individuals are teamed up on the basis of their interests in the order of community, established by law, to meet their non-religious, spiritual and material needs, to protect their own and others' rights and interests of society, to promote tangible and intangible support for individual Organizations, and to realize the goals of other socially useful activities. The Organization works according to the Constitution of RA, to the legislation of RA, on the basis of other normative acts, international agreements of RA. The principles of the Organization are voluntary membership, equality of members, self-management, collegiality and transparency. The Organization does not pursue political goals and is not adjacent to any political wing. The Organization operates throughout the territory of Armenia and in foreign countries in accordance with the laws of these countries.

The Organization's goal is to support:

- knowledge and education in Armenia by creating and distributing free content
- ensuring equal access to knowledge
- support the acquisition of free server content and distribution especially through various projects of Wikimedia Foundation
- discuss and research free content in social, cultural and practical aspects
- higher goals aimed at volunteer work
- the wiki-technology, implementation and distribution in Armenia
- to organize the Wiki-conference
- Wiki-introduction of innovative technologies in education.

The average number of employees of the Organization during 2018 was 10 employees (2017: 6 employees).

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").

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

2.2. Basis of measurement

The financial statements have been prepared on the historical cost.

2.3. Functional and presentation currency

The national currency of Armenia is the Armenian dram (“dram”), which is the Organization’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Organization. All financial information presented in Armenian drams has been rounded to the nearest thousand.

2.4. Going concern

The Organization should prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

2.5. 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 14 to the financial statements.

2.6. Reclassification

The comparative amounts have been adjusted where necessary in order to ensure the comparability with the presentation changes of current year.

2.7. Adoption of new and revised standards

New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2018

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces a new “expected credit loss” model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 and related Clarifications to IFRS 15 (hereafter referred to as "IFRS15") replace IAS 18 Revenue, IAS 11 Construction Contracts, and several revenue-related Interpretations

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income.

IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which the Organization initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

If there are multiple payments or receipts in advance, the Organization shall determine a date of the transaction for each payment or receipt of advance consideration.

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

IFRS 16 Leases

IFRS 16 presents new requirements and amendments to the accounting of leases. IFRS 16 will require lessees to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and a lease liability.

IFRS 16 also:

- changes the definition of a lease;
- sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods;
- provides exemptions for short-term leases and leases of low value assets;
- changes the accounting for sale and leaseback arrangements;
- largely retains IAS 17’s approach to lessor accounting;
- introduces new disclosure requirements.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The Organization’s management have not yet assessed the impact of IFRS 16 on these financial statements.

IFRIC 23 Uncertainty over Income Tax Treatment

IFRIC 23 provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under IAS 12, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates, and (iv) effect of changes in facts and circumstances.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

Annual Improvements 2015-2017

The Annual Improvements 2015-2017 made several minor amendments to a number of IFRSs. The amendments relevant to the Organization are summarized below:

IAS 12 Income Taxes: Income tax consequences of payments on instruments classified as equity

The amendments to IAS 12 clarify that the income tax consequences of dividends are recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 12 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

IAS 23 Borrowing Costs: Borrowing costs eligible for capitalization

IAS 23.14 specifies how to determine the amount of borrowing costs eligible for capitalization when an entity borrows funds generally and uses them to obtain a qualifying asset.

IAS 23 requires an entity, when determining the funds that it borrows generally, to exclude "borrowings made specifically for the purpose of obtaining a qualifying asset". The IASB observed that an entity might misinterpret those words to mean that funds borrowed generally would exclude funds outstanding that were originally borrowed specifically to obtain a qualifying asset that is now ready for its intended use or sale. The amendments therefore clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally. The amendments are to be applied prospectively (i.e. only to borrowing costs incurred on or after the beginning of the annual reporting period in which the amendments are first applied) as the costs of gathering the information required to capitalize borrowing costs retrospectively may exceed the potential benefits. IAS 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

3. Significant accounting policies

3.1 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.

The Organization recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognised.

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

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use.

The residual value and the useful life of an asset are reviewed at least at each financial year-end, and if expectations differ from previous estimate, the changes are applied prospectively only to future transactions.

The estimated useful lives are as follows:

Buildings, constructions	- 20 years
Machinery and equipment	- 8 years
Computer equipment	- 1 years
Furniture and fixtures,	- 8 years

3.2. Intangible assets

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

Amortization 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 intangible assets, which is estimated at 5-10 years.

3.3. Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Organization becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

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

Classification and initial measurement of financial assets

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).

In the periods presented the Organization does not have any financial assets categorized as FVOCI. The classification is determined by both:

- the Organization'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 Organization's financial assets by category is given in note 14.2.

Trade and other receivables and contract assets

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

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Organization's financial liabilities include loans and borrowings, trade and other payables and finance lease liabilities. A summary of the Group's financial liabilities by category is given in note 15.2.

Loans and borrowings

Loans and borrowings are recognized initially at fair value, net of issuance costs associated with the borrowing. The difference between fair value and nominal value is recognized in profit or loss, except when the borrowing was received from the owners. In this instance the difference between fair value and nominal value is recognized in equity as additional capital. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value recognized in profit or loss over the period of the borrowings on an effective interest basis. Interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance expenses, except for the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalized as part of that asset.

Trade and other payables

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

3.4. 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 Organization 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.

3.5. Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date, which is 483.75 drams for 1 US dollar and 553.65 drams for 1 euro as of 31 December 2018 (31 December 2017: 484.10 drams for 1 US dollar, 580.10 drams for 1 euro). Non-monetary items are not retranslated and are measured at historic cost. Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period.

3.6. Grants/donations

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

Grants whose primary condition is that the Organization should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to the result of year on a systematic basis over the useful lives of the related assets.

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

Donations received as financial aid are recognized in the period in which the Organization receives it.

3.7. Impairment

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.

Impairment of financial assets

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

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

3.8. Income tax

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

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 Organization 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 Organization 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 Organization intends to settle its current tax assets and liabilities on a net basis.

3.9. Employee Benefits

When an employee has rendered service to the Organization during an accounting period, the Organization recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Organization shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset (see, for example, IAS 2 Inventories and IAS 16 Property, Plant and Equipment).

The Organization recognises the expected cost of short-term employee benefits in the form of compensated absences as follows:

- a. in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and
- b. in the case of non-accumulating compensated absences, when the absences occur.

4. Property and equipment

In thousand drams

<i>Cost</i>	Leashold improvement	Machinery and equipment	Computer equipment	Furniture and fittings	Total
as of 1 January 2017	-	280	9,287	-	9,567
Additions	5,713	2,000	576	4,032	12,321
Internal movement	-	(280)	280	-	-
as of 31 December 2017	5,713	2,000	10,143	4,032	21,888
Additions	-	251	7,225	3,484	10,960
as of 31 December 2018	5,713	2,251	17,368	7,516	32,848
<i>Accumulated depreciation</i>					
as of 1 January 2017	-	188	7,270	-	7,458
Charge for the year	2	229	2,099	31	2,361
Internal movement	-	(280)	280	-	-
as of 31 December 2017	2	137	9,649	31	9,819
Charge for the year	286	274	4,859	794	6,213
as of 31 December 2018	288	411	14,508	825	16,032
<i>Carrying amount</i>					
as of 31 December 2017	5,711	1,863	494	4,001	12,069
as of 31 December 2018	5,425	1,840	2,860	6,691	16,816

None of the Organization's property and equipment have been pledged as a security as of the reporting date.

Property and equipment with a cost of drams 10,143 thousand are accounted for at zero carrying amount as of December 31, 2018 (December 31, 2017: drams 9,567 thousand).

Depreciation expense has been charged to grant expenditures.

5. Cash and cash equivalents

In thousand drams

	As of 31 December 2018	As of 31 December 2017
Cash on hand	50	2,572
Bank balances	41,884	31,304
Total	41,934	33,876

6. Grants related to assets

In thousand drams

	As of 31 December 2018	As of 31 December 2017
Balance at the beginning of year	12,276	2,109
Additions	10,960	12,541
Realized to income	(6,235)	(2,374)
Balance at the end of year	17,001	12,276

Grants were received from different companies for statutory purposes. There are not any unfulfilled conditions in respect of grants.

7. Trade and other payables

In thousand drams

	As of 31 December 2018	As of 31 December 2017
Payables to employees	2,346	2,048
Payables to State budget	-	709
Other	352	550
Total	2,698	3,307

8. Grants related to income

In thousand drams

	As of 31 December 2018	As of 31 December 2017
Balance at the beginning of year	34,239	48,928
Additions	162,170	112,130
Repayment of receivables	(3,701)	-
Realized to income	(153,595)	(126,819)
Balance at the end of year	39,113	34,239

9. Revenue from services

In the framework of the events dedicated to the 2800th anniversary of Yerevan, the Organization implemented events of the project "Wiki loves Yerevan".

10. Donations received

Donations received are received funds from individuals and legal entities to ensure the Organization's main activities and statutory goals.

11. Income from grants

In thousand drams

	Year ended 31 December 2018	Year ended 31 December 2017
Grants related to income	153,595	130,521
Grants related to assets	6,234	2,374
Total	159,829	132,895

12. Grant expenses

In thousand drams

	Year ended 31 December 2018	Year ended 31 December 2017
Employee benefit expenses	59,950	27,758
Depreciation and amortization	6,234	2,374
Office expenses	15,316	25,160
Teacher training courses	10,662	2,884
Teacher education expenses	-	4,854
Camping expenses	35,248	53,968
Workshop organization expenses	14,564	4,187
Organizations of events	4,266	2,770
Conference participation expenses	8,900	6,720
Western Armenian Wikipedia project expenses	1,085	-
Forum organizing expenses	-	905
Website preparation expenses	580	-
Other	5,101	2,820
Total	161,906	134,400

13. Foreign currency exchange gain/(loss), net

In thousand drams

	Year ended 31 December 2018	Year ended 31 December 2017
Bank accounts	244	465
Total	244	465

14. 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.

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.

15. Financial instruments

15.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.3.

15.2 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 2018	As of 31 December 2017
Loans and receivables:		
Cash and bank balances	41,934	33,876
Trade and other receivables	274	3,827
Total	42,208	37,703

Financial liabilities

In thousand drams

	As of 31 December 2018	As of 31 December 2017
Financial liabilities measured at amortized cost:		
Trade and other payables	2,698	2,598
Total	2,698	2,598

16. Financial risk management

Financial risk factors

Market risk

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

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

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

As of 31 December 2018	US dollar	Euro	RUB
<i>Financial assets</i>			
Cash and bank balances	40,287	2	2
Net position	40,287	2	2

As of 31 December 2017	US dollar	Euro	RUB
<i>Financial assets</i>			
Cash and bank balances	30,667	262	-
Net position	30,667	262	-

The following table details the Organization's sensitivity to a 10% (2017: 10%) increase and decrease in dram against US dollar. 10% (2017: 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% (2017: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar 10% (2017: 10%) then this would have had the following impact:

	US dollar impact		Euro impact	
	2018	2017	2018	2017
Statement of comprehensive income	4,029	3,067	-	26

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

✓ **Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Organization. The effect of this risk for the Organization arises from different financial instruments, such as

accounts receivable, etc. The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments.

In thousand drams

	As of 31 December 2018	As of 31 December 2017
Financial assets at carrying amounts		
Accounts receivables	274	3,827
Bank balances	41,884	31,304
Total	42,158	35,131

At the reporting date there was no significant concentration of credit risk in respect of trade and other receivables. The credit risk for cash and cash equivalents is considered negligible.

17. Fair value measurement

The Organization provides an analysis of its assets and liabilities that are measured subsequent to initial recognition at fair value, Organized into Levels 1 to 3 based on the degree to which the fair value is observable. These Levels are described below:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

18. Contingencies

18.1. Business environment

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis.

Deterioration of economic situation of countries collaborating with the Republic of Armenia led to the shortage of money transfers from abroad, upon which the economy of Armenia is significantly dependent. Further decline in international prices of mining products, uncertainties due to possibilities of attraction of direct capital investments, inflation, may lead to deterioration of the situation of Armenian economy and of the Organization. However, as the number of variables and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Organization may be affected.

Management of the Organization believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Organization.

18.2. Taxes

The taxation system in Armenia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose severe fines and penalties.

These facts may create tax risks in Armenia substantially more than in other developed countries.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

18.3. 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 Organization 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 Organization property or relating to the Organization operations. Until the Organization 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 Organization's operations and financial position.

18.4. Environmental matters

Management is of the opinion that the Organization has met the Government's requirements concerning environmental matters and, therefore, believes that the Organization 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.

19. Related parties

During the reporting period no transactions occurred with related parties. The Organization's related parties include the President of NGO.

