



**Independent Auditor's Report on the
Financial Statements**

**“Orran” Benevolent Non-Governmental
Organization**

December 31, 2009

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Members of the Board of Directors as of December 31, 2009

Armine K. Hovannisian	Chairperson and Executive Director
Molly Wynn Owen	Secretary of the Board
Susan Yacubian Klein	Member of the Board
Annette Obolensky	Member of the Board
Krikor Krikorian	Advisor to the Board
Dean Cooper	Financial Director

Independent auditor's report

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To the Board of Directors of “Orran” Benevolent Non-Governmental Organization

We have audited the accompanying financial statements of “Orran” Benevolent Non-Governmental Organization (the “Organization”), which comprise the statement of financial position as of December 31, 2009, the statements of comprehensive income, the statement of equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Organization as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

July 13, 2010

Gagik Gyulbudaghyan

Emil Vassilyan, FCCA

Managing Partner

Engagement partner

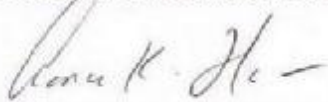


Statement of financial position

In thousand drams		As of December 31, 2009	As of December 31, 2008
	Note		
Assets			
<i>Non-current assets</i>			
Property and equipment	4	233,252	238,822
Intangible assets		63	82
		<u>233,315</u>	<u>238,904</u>
<i>Current assets</i>			
Inventories	5	3,454	3,639
Advances and accounts receivable		1,646	1,024
Time deposits	6	20,009	20,157
Cash and bank balances		52,562	44,574
		<u>77,671</u>	<u>69,394</u>
Total assets		<u><u>310,986</u></u>	<u><u>308,298</u></u>
Equity and liabilities			
<i>Equity</i>			
Accumulated loss		(7,634)	(11,311)
		<u>(7,634)</u>	<u>(11,311)</u>
<i>Non-current liabilities</i>			
Grants related to assets	7	233,315	238,904
		<u>233,315</u>	<u>238,904</u>
<i>Current liabilities</i>			
Deferred income	8	83,599	79,581
Accounts payable		1,386	1,033
Current income tax liabilities		320	91
		<u>85,305</u>	<u>80,705</u>
Total equity and liabilities		<u><u>310,986</u></u>	<u><u>308,298</u></u>

The financial statements were approved on June 25, 2010 by:

Armine K. Hovannisian
 President of the Board of Directors



Natalia Tumanova
 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 9 to 22.

Statement of comprehensive income

In thousand drams	Note	Year ended December 31, 2009	Year ended December 31, 2008
Income from operations	7, 8	85,627	93,314
Interest income		1,591	424
Other income		751	30
Program expenses	9	(67,399)	(70,287)
Administration expenses	10	(18,228)	(23,029)
Other expenses		(1,270)	-
Gain from foreign exchange rate differences		2,925	2
Profit before tax		3,997	454
Income tax expense	11	(320)	(91)
Profit for the year		3,677	363
Other comprehensive income		-	-
Total comprehensive income for the year		3,677	363

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.

Statement of equity

In thousand drams	Accumulated profit/ (loss)	Total
as of January 1, 2008	(11,674)	(11,674)
Profit/(loss) for the year	363	363
Total comprehensive income for the year	363	363
as of December 31, 2008	(11,311)	(11,311)
Profit/(loss) for the year	3,677	3,677
Total comprehensive income for the year	3,677	3,677
as of December 31, 2009	(7,634)	(7,634)

The statement of equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 22.

Statement of cash flows

In thousand drams	Year ended December 31, 2009	Year ended December 31, 2008
Cash flows from operating activities		
Profit for the year	3,677	363
<i>Adjustments for:</i>		
Depreciation and amortization	8,711	8,643
Loss on disposal of property and equipment	-	63
Income from deferred income and grants related to assets	(85,627)	(93,314)
Income tax expense	320	91
Interest income	(1,591)	(424)
Foreign exchange gain	(2,925)	(2)
<i>Operating loss before working capital changes</i>	<u>(77,435)</u>	<u>(84,580)</u>
Change in advances and accounts receivable	(622)	(114)
Change in inventories	9,535	11,550
Change in accounts payable	353	439
<i>Cash used in operations</i>	<u>(68,169)</u>	<u>(72,705)</u>
Cash received from grants	74,521	124,836
Income tax paid	(91)	(102)
<i>Net cash used in operating activities</i>	<u>(68,260)</u>	<u>(72,807)</u>
Cash flows from investing activities		
Acquisition of property and equipment	(2,937)	(23,471)
Interest income received	1,739	779
<i>Net cash from investing activities</i>	<u>73,323</u>	<u>102,144</u>
Net increase in cash and cash equivalents	5,063	29,337
Foreign exchange effect on cash	2,925	2
Cash and cash equivalents at the beginning of the year (refer to note 16)	<u>64,574</u>	<u>35,235</u>
Cash and cash equivalents at the end of the year (refer to note 16)	<u><u>72,562</u></u>	<u><u>64,574</u></u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 22.

Notes to the financial statements

1 Nature of operations and general information

“Orran” Benevolent Non-governmental Organization (the “Organization”) was founded by Raffi K. Hovannisian and Armine K. Hovannisian in April 2000 in Yerevan.

In June 15, 2000 the Organization was registered at the Ministry of Justice of the Republic of Armenia as a Benevolent Non-Governmental Organization.

The goals of the Organization are to:

- divert the children from the streets and engage them in academic, cultural, and extra-curricular activities;
- Fight the concept of beggar children as the principal breadwinners of their families;
- Help families "in crisis";
- Assist the lonely and needy elderly;
- Identify and develop children's interests and talents toward a working career;
- Prevent the spread of destitution and begging among Armenia's children and elderly.

To realize these objectives the Organization daily carries out the following services:

- Food service: the Organization serves hot meal to children, elderly and people without shelter;
- Academic assistance: children are tutored by the teachers of the Organizations as well as volunteers;
- Medical and psychological assistance: each child receives a full medical examination twice a year. The pediatrician of “Orran” monitors the children’s healthcare. The psychologist provides psychological consultation;
- Dental services: a professional dental service is provided to the children in need as well as to their families;
- Social services: all the children in need receive clothing, shoes, etc. that are donated to or bought by “Orran”;
- Tapestry and wood engraving center: “Orran” strives to identify and develop children’s interests and talents toward a working career;
- Cultural enrichment: through summer camps as well as through a program of visits to historical sites, monuments, theatres, etc. children enjoy their childhood and gain life experience.

During 2009 the Organization has opened its new center in Vanadzor city. It has received a grant from OSI Assistance Foundation for the Vanadzor center amounting to 75,000 US dollars for the period from September 1, 2009 to August 31, 2010. The Organization aims to construct its own building for this center premises in the nearest future.

The average number of employees of the Organization during 2009 was 24 (2008: 24).

The Organization is located at 6 First Yekmalyan Street, Yerevan, Republic of Armenia.

The main financing of the Organization is received by “Orran” benevolent organization USA, Mr. Krikor Krikorian, the Adviser to the “Orran” Board of Directors, the Manager of Great Britain “Krikorian Charitable Trust” Company and other donors.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared based on the accounting records maintained under the requirements of the Armenian legislation and presented in accordance with International Financial Reporting Standards (“IFRS”).

Presently, the IFRS do not contain any special guidelines concerning the presentation of financial statements and the accounting approaches for non-governmental and not-for-profit organizations. Nevertheless, the accounting policies selected by the Organization are based on IFRS general principles presented in the “Framework for preparation and presentation of financial statements” of the International Accounting Standards Board.

In presenting the financial statements in accordance with IFRS only additional disclosures have been made in accordance with IFRS 7 “Financial Instruments: Disclosures”, which relates to financial instruments and financial risk management disclosed in the notes 12 and 13.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

The national currency of Armenia is the Armenian dram (“dram”), which is the Organization’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Organization.

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

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although management has made the best possible estimates in current circumstances, the fair values can be significantly different from the estimates.

2.5 Adoption of new and revised standards

In the current year the Organization has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2009.

Standards affecting presentation and disclosure

IAS 1 (revised 2007) *Presentation of Financial Statements*

IAS 1 (revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. The Organization elected to prepare a single statement of comprehensive income with subtotal, instead of two separate statements (a separate income statement followed by a statement of other comprehensive income).

Standards and Interpretations in issue but not yet adopted

Amendments to IAS 17 *Leases*

As part of Improvements to IFRSs 2009 issued in April 2009, the IASB amended the requirements of IAS 17 regarding the classification of leases of land. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. This was inconsistent with the general principles of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either ‘finance’ or ‘operating’ using the general principles of IAS 17. These amendments are effective for annual periods beginning on or after January 1, 2010, and they are to be applied retrospectively to unexpired leases at January 1, 2010 if the necessary information was available at the inception of the lease. Otherwise, the revised Standard will be applied based on the facts and circumstances existing on January 1, 2010 (i.e. the date of adoption of the amendments) and the Organization will recognize assets and liabilities related to land leases newly classified as finance leases at their fair values on that date; any difference between those fair values will be recognized in retained earnings.

The directors anticipate that this amendment will be adopted in the Organization’s financial statements for the period beginning January 1, 2010. The directors have not yet considered the potential impact of the adoption of these amendments.

3 Significant accounting policies

3.1 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date, which is 377.89 drams for 1 US dollar as of December 31, 2009 (December 31, 2008: 306.73 drams for 1 US dollar).

Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period.

3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs.

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

Subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in the statement of 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 estimated useful lives are as follows:

- Buildings and constructions 50 years
- Furniture and equipment 5 - 10 years
- Computers and accessories 3 years
- Other 5 - 10 years.

3.3 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 the statement of comprehensive income on a straight line basis over the estimated useful lives of the intangible assets, which is estimated at 10 years.

3.4 Leased assets

Payments on operating lease agreements are recognized as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.5 Inventories

Inventories, which mainly consist of food and clothes to be delivered to beneficiaries, 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

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.

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

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

Financial assets other than hedging instruments are divided into the following categories:

- loans and receivables
- financial assets at fair value through profit or loss
- available-for-sale financial assets
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses are recognized in profit or loss or directly in equity. See note 12.2 for a summary of the Organization's financial assets by category.

Generally, the Organization recognizes all financial assets using settlement date accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expense relating to financial assets are recognized in the statement of comprehensive income line item "finance costs" or "finance income", respectively.

i Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Organization's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

ii Accounts receivable

Current accounts receivable are initially recognized at fair value. Subsequently they are measured at amortized cost less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Organization will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default and delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

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

iii Cash and bank balances

The Organization's cash and bank balances comprise cash in hand and bank accounts, which fall into “loans and receivables” category of financial instruments.

Financial liabilities

The Organization's financial liabilities include borrowings, trade and other payables, which are measured at amortized cost using the effective interest rate method. A summary of Organization's financial liabilities by category is given in note 12.2.

iv Trade and other payables

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

3.7 Impairment

Impairment of property, 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 Grants

Grants whose primary condition is that the Organization should 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 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 in profit or loss in the period in which they become receivable.

The financing received is recognized in the statement of financial position as “Deferred income”. When a decision is made to acquire an element of property and equipment with these funds, it is transferred to “Grants related to assets”.

The positive difference between the funds received and the expenses incurred is also recognized as “Deferred income”. The use of these funds is determined by the decisions of the Board of Directors' meetings.

Cash received from grants and donations are reflected under operating activities in the cash flow statement, since it is directly related to the Organization's main activities.

3.9 Provisions

A provision is recognized in the statement of financial position when the Organization 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.

3.10 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. The assets and services received by the Organization for no consideration and the expenses made on behalf of them are not taxable items for income tax purposes.

4 Property and equipment

In thousand drams

	Land, buildings and constructions	Furniture and equipment	Computers, accessories and other	Total
<i>Cost</i>				
as of January 1, 2008	214,845	36,160	6,740	257,745
Additions	21,946	402	1,295	23,643
Disposals	-	(104)	(571)	(675)
as of December 31, 2008	<u>236,791</u>	<u>36,458</u>	<u>7,464</u>	<u>280,713</u>
Additions	-	2,497	625	3,122
as of December 31, 2009	<u>236,791</u>	<u>38,955</u>	<u>8,089</u>	<u>283,835</u>
<i>Accumulated depreciation</i>				
as of January 1, 2008	14,985	14,065	4,828	33,878
Charge for the year	4,194	3,793	638	8,625
Eliminated on disposal	-	(47)	(565)	(612)
as of December 31, 2008	<u>19,179</u>	<u>17,811</u>	<u>4,901</u>	<u>41,891</u>
Charge for the year	4,196	3,717	779	8,692
as of December 31, 2009	<u>23,375</u>	<u>21,528</u>	<u>5,680</u>	<u>50,583</u>
<i>Carrying amount</i>				
as of December 31, 2008	<u>217,612</u>	<u>18,647</u>	<u>2,563</u>	<u>238,822</u>
as of December 31, 2009	<u>213,416</u>	<u>17,427</u>	<u>2,409</u>	<u>233,252</u>

As of December 31, 2009 property and equipment with a cost of drams 10,217 thousand (as of December 31, 2008: drams 7,898 thousand) are fully depreciated.

During the reporting year the depreciation expense amounting to drams 8,692 thousand (2008: drams 8,625 thousand) has been allocated to the administration expenses by drams 532 thousand (2008: drams 532 thousand) and to the program expenses by drams 8,160 thousand (2008: drams 8,093 thousand).

5 Inventories

In thousand drams	As of December 31, 2009	As of December 31, 2008
Clothes and shoes for children	2,008	2,193
Short life items	1,446	1,446
	<u>3,454</u>	<u>3,639</u>

The cost of inventories recognized as an expense during the year is drams 19,869 thousand (2008: drams 23,930 thousand).

6 Time deposits

As of December 31, 2009 the time deposits comprise drams 20,000 thousand (as of December 31, 2008: drams 20,000 thousand) and accrued interests at the amount of drams 9 thousand (as of December 31, 2008: drams 157 thousand). These amounts are deposited in November 2008 with an annual rate of 8% and mature in July 2010.

7 Grants related to assets

In thousand drams	2009	2008
Balance at beginning of year	238,904	223,967
Additions	185	172
Transfer from grants related to income	2,937	23,471
Realized to income from operations (recognized as income from operations)	(8,711)	(8,706)
Balance at end of year	<u>233,315</u>	<u>238,904</u>

The additions include property granted to the Organization at the cost of drams 185 thousand (2008: drams 172 thousand) on a free-of-charge agreement.

8 Deferred income

In thousand drams	2009	2008
Balance at beginning of year	79,581	51,562
Donations received	83,871	136,098
Transfer from grants related to income	(2,937)	(23,471)
Realized to income from operations (recognized as income from operations)	(76,916)	(84,608)
Balance at end of year	<u>83,599</u>	<u>79,581</u>

During 2009 the Organization has received cash contribution at the amount of drams 74,521 thousand (2008: drams 124,836 thousand) and assets (inventory) at the amount of drams 9,350 thousand (2008: drams 11,262 thousand).

9 Program expenses

In thousand drams

	2009	2008
Employee benefits	19,152	19,711
Food expenses	13,221	14,992
Donation expenses	14,721	18,323
Depreciation expenses	8,160	8,093
Medical and educational expenses	1,935	2,091
Other	10,210	7,077
	<u>67,399</u>	<u>70,287</u>

10 Administration expenses

In thousand drams

	2009	2008
Employee benefits	8,558	12,653
Depreciation and amortization expenses	551	551
Other	9,119	9,825
	<u>18,228</u>	<u>23,029</u>

11 Income tax expense

In thousand drams

	2009	2008
Current tax	320	91
Deferred tax	-	-
	<u>320</u>	<u>91</u>

Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended December 31, 2009	Effective tax rate (%)	Year ended December 31, 2008	Effective tax rate (%)
Profit before taxation (under IFRS)	<u>3,997</u>		<u>454</u>	
Tax calculated at a tax rate of 20% (2008: 20%)	799	20	91	20
Non-taxable/non-deductible items, net	<u>(479)</u>	<u>(12)</u>	-	-
Income tax expense	<u>320</u>	<u>8</u>	<u>91</u>	<u>20</u>
	<u>320</u>		<u>91</u>	

12 Financial instruments

12.1 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 the note 3.6.

12.2 Categories of financial instruments

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

Financial assets

In thousand drams

	As of December 31, 2009	As of December 31, 2008
Held-to-maturity investments:		
Time deposits	20,009	20,157
Loans and receivables:		
Cash and bank balances	52,562	44,574
	<u>72,571</u>	<u>64,731</u>

Financial liabilities

In thousand drams

	As of December 31, 2009	As of December 31, 2008
Financial liabilities measured at amortized costs:		
Trade and other payables	228	973
	<u>228</u>	<u>973</u>

See note 3.6 for a description of the accounting policies for each category of financial instruments.

13 Financial risk management

Exposure to market risk (including currency risk) and credit risk arises in the normal course of the Organization's business.

13.1 Financial risk factors

a) Market risk

The Organization's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

a. Foreign currency risk

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

The exposure of the Organization’s financial assets and financial liabilities to the foreign currency risk is as follows:

Item	Armenian drams	Freely convertible currencies
As of December 31, 2009		
<i>Financial assets</i>		
Cash and bank balances	28,043	24,519
Time deposits	20,009	-
	<u>48,052</u>	<u>24,519</u>
<i>Financial liabilities</i>		
Accounts payable	(228)	-
	<u>(228)</u>	<u>-</u>
Net position	<u>47,824</u>	<u>24,519</u>
As of December 31, 2008		
<i>Financial assets</i>		
Cash and bank balances	31,535	13,039
Time deposits	20,157	-
	<u>51,692</u>	<u>-</u>
<i>Financial liabilities</i>		
Accounts payable	(973)	-
	<u>(973)</u>	<u>-</u>
Net position	<u>50,719</u>	<u>-</u>

The Organization is mainly exposed to US dollar. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% (2008: 20%) change in foreign currency rates.

20% increase/decrease in foreign currency rates would entail profit/loss at drams 4,904 thousand (2008: drams 2,608 thousand).

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Organization. Since the Organization dealt with needy population, it tries to mitigate credit risk by receiving prepayments from its counterparties.

Mortgage receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of debtors.

At the reporting date there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

13.2 Fair values

Management believes that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximates their fair values.

14 Commitments

14.1 Operating lease commitments

The Organization as lessee

Operating lease relate to a vehicle and office space with lease terms of 1 year with an option to extend. The Organization does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancelable operating lease commitments are disclosed below:

In thousand drams	As of December 31, 2009	As of December 31, 2008
Not later than 1 year	2,174	500

15 Contingencies

15.1 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.

15.2 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.

16 Cash and cash equivalents

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

In thousand drams	As of December 31, 2009	As of December 31, 2008
Cash and bank balances	52,562	44,574
Time deposits (principle amount)	20,000	20,000
	<u>72,562</u>	<u>64,574</u>

17 Related party transactions

17.1 Transactions with management and close family members

Key management received the following remuneration during the year, which is included in payroll and employee benefits.

In thousand drams	Year ended December 31, 2009	Year ended December 31, 2008
Salaries and bonuses, including contributions to Social State fund	<u>1,623</u>	<u>4,070</u>

During 2009 the Organization has not received funds (2008: drams 24,673 thousand) from “Orran” Benevolent Organization USA.

During 2009 the Organization received drams 19,079 (2008: drams 43,484 thousand) thousand from Mr. Krikor Krikorian, the Adviser to the “Orran” Board of Directors and the Manager of Great Britain “Krikorian Charitable Trust” Company.

During 2009 the organization has received drams 41,813 thousand (2008: drams 29,356 thousand) from annual Gala dinner.



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