

"YEREVAN STATE UNIVERSITY" FOUNDATION
**“Establishment of Research and Educational Center for the Microfabrication of
Optical Systems”**
GRANT
SPECIAL PURPOSE FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the period from 22 May 2023 to 30 June 2025

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INDEPENDENT AUDITORS' REPORT

To the management of the State Agency "Center for Education Projects" Project Implementation Unit

We have audited the accompanying special purpose financial statements of the Project "Establishment of Research and Educational Center for the Microfabrication of Optical Systems" (hereinafter the Project), implemented by "Yerevan State University" Foundation (hereinafter YSU), which comprise the statement of financial position as of 30 June 2025, the statement of project sources and uses of funds, the statement of uses of funds by project main categories of expenditures, the grant operating account statement and the co-financing operating account statement for the period from 22 May 2023 to 30 June 2025, and a summary of significant accounting policies and other explanatory information.

In our opinion, the special purpose financial statements present fairly in all material respects the financial position as of 30 June 2025, and of the funds received and expenses incurred for the period from 22 May 2023 to 30 June 2025, in accordance with the accounting policies described in note 2, the relevant points of the Grant Agreement 1/23-CIF and the Operational Manual for Competitive Innovation Fund.

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 *Auditors Responsibilities for the Audit of the Special Purpose Financial Statements* section of our report. We are independent of the YSU in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient appropriate to provide a basis for our opinion.

Emphasis of Matter - Restriction on Distribution or Use

We draw attention to Note 2(a) to the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements have been prepared for providing information to the State Agency "Center for Education Projects" Project Implementation Unit" to assist them in meeting the requirements of Competitive Innovation Fund based on the frames of the World Bank's Education Improvement Project with Additional Financing (Project). As a result, the special purpose financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

We draw attention to Note 1(b) to the special purpose financial statements, which states that the project closing date is 30 June 2025. Our opinion is not modified on this matter.

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

"Establishment of Research and Educational Center for the Microfabrication of Optical Systems"
Statement of financial position As of 30 June 2025

	<i>AMD</i>	Notes	<u>Actual</u>
Assets			
<i>Non-current assets</i>			
Grant project accumulated expenses			<u>247,687,244</u>
			<u>247,687,244</u>
<i>Current assets</i>			
Bank balances		5	<u>755,768</u>
			<u>755,768</u>
Total assets			<u>248,443,012</u>
Funds and liabilities			
<i>Funds</i>			
Grant project accumulated financing		4	247,577,160
Other income			110,084
<i>Liabilities</i>			
Accounts payable		5	<u>755,768</u>
Total funds and liabilities			<u>248,443,012</u>

The project special purpose financial statements were approved and signed on 24 November 2025.

Hovhannes Hovhannisyah
Rector



Rafik Grigoryan
Chief Accountant

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 10 to 13.

"Establishment of Research and Educational Center for the Microfabrication of Optical Systems"
Statement of project sources and uses of funds As of 30 June 2025 and for the period from 22 May 2023 to 30 June 2025

	Actual		Planned		Variance	
	For the period	Cumulative	For the period	Cumulative	For the period	Cumulative
<i>AMD</i>						
<i>Funds received</i>						
Grant (refer to note 4)	198,061,728	198,061,728				
Co-financing (refer to note 4)	49,515,432	49,515,432				
Other income	110,084	110,084				
Total	247,687,244	247,687,244				
<i>Uses of funds</i>						
Eligible expenses	247,687,244	247,687,244	250,020,000	250,020,000	(2,332,756)	(2,332,756)
Total	247,687,244	247,687,244	250,020,000	250,020,000	(2,332,756)	(2,332,756)
Net increase in working capital	-	-	-	-	-	-

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 10 to 13.

*"Establishment of Research and Educational Center for the Microfabrication of Optical Systems"
Statement of uses of funds by project main categories of expenditures for the period from 22 May 2023 to 30 June 2025*

AMD	Actual			Planned			Variance		
	Grant	Co-financing	Total	Grant	Co-financing	Total	Grant	Co-financing	
Laboratory equipment and supplies	188,841,538	47,210,384	236,051,922	190,680,000	47,670,000	238,350,000	(1,838,462)	(459,616)	(2,298,078)
CIF project staff salary	9,216,000	2,304,000	11,520,000	9,216,000	2,304,000	11,520,000	-	-	-
Other expenses	92,257	23,065	115,322	120,000	30,000	150,000	(27,743)	(6,935)	(34,678)
Total	198,149,795	49,537,449	247,687,244	200,016,000	50,004,000	250,020,000	(1,866,205)	(466,551)	(2,332,756)

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 10 to 13.

"Establishment of Research and Educational Center for the Microfabrication of Optical Systems"
Grant operating account statement

	AMD
Opening balance as of 22 May 2023	-
Add: Cumulative unexplained discrepancy	
Grant replenishment during the period	198,328,928
Present outstanding amount advanced to the Grant operating account (1)	198,328,928
Closing balance as of 30 June 2025	267,200
Add: Amount of eligible expenditures paid during the period	198,061,728
Total advance accounted for (2)	198,328,928
Discrepancy (1) - (2) to be explained	-

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 10 to 13.

"Establishment of Research and Educational Center for the Microfabrication of Optical Systems"
Co-financing operating account statement

	AMD
Opening balance as of 22 May 2023	-
Add: Cumulative unexplained discrepancy	-
Co-financing received during the period	50,004,000
Present outstanding amount advanced to the Grant operating account (1)	50,004,000
Closing balance as of 30 June 2025	488,568
Add: Amount of eligible expenditures paid during the period	49,515,432
Total advance accounted for (2)	50,004,000
Discrepancy (1) - (2) to be explained	-

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 10 to 13.

1 Background

(a) Organisation and operations

Decision on establishment of the university in Yerevan was made by the Republic of Armenia Council of Ministers on 16 May 1919. The official inauguration of the “Yerevan State University” Foundation (“YSU”) was held in the building of trade school of Aleksandropol (former name for Gyumri) on 31 January 1920.

YSU is a self-governed educational, scientific-research and cultural higher education institution. The activity of YSU is aimed to arrange basic and applied scientific research and studies, armenology, science, social- economic, the humanities and techniques, education in different fields of art, basic and applied scientific research for secondary educational, higher professional, post graduate professional and additional educational directions in accordance with the procedures of the Republic of Armenia legislation and educational programs.

The founder of YSU is the Republic of Armenia represented by the Government of the Republic of Armenia.

The objectives of YSU are to:

- meet the mental, spiritual and moral needs of the people by providing higher and post graduate professional education;
- carry out researches in different fields of science, education methodology, scientific pedagogical and ensure multilateral development of armenology;
- ensure the development of science, education, economy and art through researches and creative activities of the academic staff and students and applying it in economy, research and educational processes;
- arrange higher education trainings and retraining for the academic staff;
- ensure improvement of education quality and availability of appropriate system and other goals prescribed by the Charter.

The Board of trustees is the top collegial governing body of YSU. The rector manages the current activity of YSU.

The Government of Armenia has entered into a Loan Agreement with the World Bank (IBRD Loan No. 9389-AM) to support the implementation of the Education Improvement Project, including Additional Financing (the “Project”).

One of the key components of the Project is the full-scale implementation of the Competitive Innovation Fund (CIF), aimed at enhancing the capacity and competitiveness of Higher Education Institutions.

Project funding is provided jointly by the International Bank for Reconstruction and Development (IBRD) and the Government of Armenia. The State Agency “Center for Education Projects” Project Implementation Unit disburses the financing grant in tranches based on the outcomes of competitive selection processes.

Additionally, the Yerevan State University (YSU) contributes to the Project by co-financing a portion of the expenses.

According to the Grant Agreement 1/23-CIF (Agreement) signed between the YSU and the State Agency “Center for Education Projects” Project Implementation Unit” (the “PIU”), dated 22 May 2023, the YSU implements the “Establishment of Research and Educational Center for the Microfabrication of Optical Systems” Grant project (“Project”). The budget of the Grant project makes AMD 250,020,000, AMD 200,016,000 of which will be allocated from the Grant funds, and AMD 50,004,000 from co-financing.

The project envisages the creation of a scientific and educational innovative center for the development

and research of optical microsystems at the Institute of Physics of Yerevan State University, the main goal of which will be the development of the research component of university education, the promotion of interdisciplinary research, the training of personnel in the field of high technologies, and the formation of new ties between science, education and industry in the Republic of Armenia.

The specific goals of the project are:

- To develop a strategy for the management, development and sustainability of the goals and functions of the center being created in line with the mission.
- To create a modern scientific and educational center at the Institute of Physics of Yerevan State University, equipped with the necessary material and technical base for the development of optical and optoelectronic devices, and the preparation of high-tech microsystems in the fields of biooptics, information processing and telecommunications through them.
- To organize the work of the center using only energy-saving systems and to study the possibilities of energy saving and improvement of the resulting optical and optoelectronic systems.
- To train high-quality specialists who will operate the equipment.
- Organize short-term courses, seminars and scientific-educational visits to local and foreign universities and/or laboratories.
- In cooperation with the Center for Physics, create a master's program "Optics and Photonics" and, with the support of famous foreign universities, develop a strategic plan for compliance with international standards, with the aim of implementing future joint international master's programs.
- Create close cooperation with specialists and students in biology, chemistry, pharmacology and other fields in interdisciplinary research directions.
- Ensure the involvement of female students and lecturers in the master's program in order to mitigate the existing gender polarization.
- Together with foreign scientific groups cooperating with the Center, develop programs for the creation of new research laboratories at the Institute of Physics.
- To conclude mutually beneficial cooperation agreements with companies operating in the field (commercial organization, enterprise), ensuring students' acquaintance and cooperation with a potential employer.
- To create a special page on the YSU website about the center with information on the main issues of the project and the center's activities.

The expected results are:

- A scientific and educational center equipped with the necessary material and technical base for the development of modern optical and optoelectronic devices, and the preparation of high-tech microsystems in the fields of biooptics, information processing and telecommunications will be created.
- A new master's program will be created in line with the requirements of the labor market and a project will be developed to bring it into line with international standards.
- Programs for mutually beneficial cooperation and service provision with research and private companies operating in the field of optical microsystems development will be developed.

During the reporting period the number of staff involved in the Grant project implementation was 4 employees.

(b) Project closing

The Project was closed on 30 June 2025.

2 Basis of preparation

(a) Statement of compliance

The special purpose financial statements are prepared in accordance with the accrual basis of accounting, the relevant points of the Grant Agreement 1/23 - CIF and requirements of the Operational Manual for Competitive Innovation Fund.

The special purpose project financial statements consist of:

- Statement of Financial Position,
- Statement of Project Sources and Uses of Funds,
- Statement of Uses of Funds by Project Main Categories of Expenditures,
- Grant Operating Account Statement,
- Co-financing Operating Account Statement,
- Summary of Significant Accounting Policies and Other Explanatory Information.

(b) Reporting currency

The reporting currency of special purpose financial statements is Armenian dram (AMD). All financial information presented in AMD has been rounded to the nearest AMD.

(c) Grant project financing

The financing received in the framework of the agreement is recorded in the statement of financial position as "Grant project accumulated project financing" and is recognized at each replenishment. The unused amounts available at the end of the Grant project, which are subject to be returned, are being deducted from the amounts of "Accumulated Grant project financing" and recognized as payable. In addition, the current period funds received are disclosed in the statement of Grant project sources and uses of funds.

(d) Grant project expenses

The Grant project expenses are recognized on the accrual basis of accounting. The accumulated Grant project expenses are disclosed in the statement of financial position under non-current assets. In addition, expenses are disclosed in the statement of Grant project sources and uses of funds and statement of uses of funds by Grant project main categories of expenditures. Furniture and equipment procured within the scope of the Grant project and recognized in expenses are the property of the YSU. Items of property, plant, and equipment procured within the scope of the Grant project are not recognized as such, and no depreciation is calculated in respect of them. Instead, their initial cost is disclosed in note 7.

(e) Planned expenses

The Grant project planned expenses are the Grant project budget defined by the grant agreement, which includes the grant financing and co-financing.

3 Significant accounting policies

(a) Taxes

All the applicable tax liabilities are calculated and paid in accordance to tax regulations of the Republic of Armenia.

4 Accumulated Grant project financing

AMD

**Period from
22 May 2023**

	to 30 June 2025
Grant funds	
PIU financing	198,328,928
Amount to be returned	(267,200)
	198,061,728
Co-financing	
YSU's co-financing	50,004,000
Amount to be returned	(488,568)
	49,515,432
Total	247,577,160

5 Accounts payable

Accounts payable consist of the amount payable to "Center for Education Projects" Project Implementation Unit and to the "Yerevan State University" Foundation. The amount has arisen from unused grant funds and co-financing funds of the Grant project, from the amount subject to repayment and amounts to AMD 755,768.

6 Reconciliation between the amounts received by the Grant project from the PIU and disbursed by the YSU

<i>AMD</i>	YSU	PIU	Variance
Stage 1	1,224,000	1,224,000	-
Stage 2	31,616,000	31,616,000	-
Stage 3	72,229,440	72,229,440	-
Stage 4	10,598,400	10,598,400	-
Stage 5	50,918,688	50,918,688	-
Stage 6	31,742,400	31,742,400	-
	198,328,928	198,328,928	-

7 Property, plant, and equipment

The items of property, plant, and equipment include furniture, computer and other equipment acquired in the scope of the Grant project. No depreciation is calculated in respect of them.

The acquired and expensed items are the property of the YSU.

The initial cost of the property, plant, and equipment procured within the scope of the Grant project are presented below:

<i>AMD</i>	As of 30 June 2025
Laboratory equipment	236,167,244
	236,167,244