# Ayb Educational Foundation

## Financial Statements
## for 2019

## Contents

KPMG Armenia LLC
8th floor, Erebuni Plaza Business Center
26/1 Vazgen Sargsyan Street
Yerevan 0010, Armenia
Telephone + 374 (10) 595 999
Internet www.kpmg.am

# Independent Auditors' Report

**To the Board of Trustees of Ayb Educational Foundation**

## Opinion

We have audited the financial statements of Ayb Educational Foundation (the "Foundation"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in fund balance and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## 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 Financial Statements* section of our report. We are independent of the Foundation in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

## Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement partner on the audit resulting in this independent auditors' report is:

Tigran Gasparyan
Managing Partner, Director of KPMG Armenia LLC

KPMG Armenia LLC

KPMG Armenia LLC
30 June 2020

# Statement of Financial Position
# as at 31 December 2019

| AMD'000 | Note | 31 December 2019 | 31 December 2018 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 6 | 21,711 | 316,523 |
| Deposits in banks | 7 | 136,989 | - |
| Other assets | 8 | 41,244 | 47,749 |
| Inventory | | 19,176 | 21,386 |
| **Current assets** | | **219,120** | **385,658** |
| Property, equipment and intangible assets | 9 | 25,365 | 44,279 |
| Deferred tax assets | | 12,221 | 16,411 |
| Prepayments for non-current assets | | 1,177 | 1,177 |
| **Non-current assets** | | **38,763** | **61,867** |
| **Total assets** | | **257,883** | **447,525** |
| **Liabilities and fund balance** | | | |
| Trade and other payables | 10 | 53,664 | 80,332 |
| Grants related to assets | 11 | 16,028 | 18,431 |
| Grants related to income | 12 | 21,546 | 152,757 |
| Short term borrowings | 13 | 131,776 | 142,000 |
| **Current liabilities** | | **223,014** | **393,520** |
| Grants related to assets | 11 | 8,725 | 25,587 |
| Long term borrowings | | 1,016 | 5,240 |
| **Non-current liabilities** | | **9,741** | **30,827** |
| **Total liabilities** | | **232,755** | **424,347** |
| Accumulated surplus | | 25,128 | 23,178 |
| **Fund balance** | | **25,128** | **23,178** |
| **Total liabilities and fund balance** | | **257,883** | **447,525** |

* The Foundation has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in accumulated surplus at the date of initial application. See Note 5.



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 31.

# Statement of Profit or Loss and Other Comprehensive Income for 2019

| AMD'000 | Note | 2019 | 2018 * |
|---|---|---|---|
| Contribution income | 14 | 538,222 | 1,289,578 |
| Income from services | | 91,217 | 91,473 |
| Other income | | 7,509 | 11,386 |
| | | **636,948** | **1,392,437** |
| Program expenses | 15 | (510,060) | (1,289,891) |
| Service expenses | 16 | (121,822) | (101,408) |
| **Results from operating activities** | | **5,066** | **1,138** |
| Finance income | | 2,443 | 12,782 |
| Finance costs | | (1,370) | (5,526) |
| **Net finance income** | | **1,073** | **7,256** |
| **Profit before tax** | | **6,139** | **8,394** |
| Income tax expense | | (4,189) | (5,422) |
| **Profit for the year** | | **1,950** | **2,972** |

* The Foundation has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in accumulated surplus at the date of initial application. See Note 5.

The financial statements were approved by management on 30 June 2020 and were signed on its behalf by:

Sona Koshetsyan
Executive Director

Arman Nazaryan
Chief Accountant



**The statement of profit or loss and other 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 31.**

# Statement of Changes in Equity for 2019

| AMD'000 | Accumulated surplus |
|---|---|
| Balance as at 1 January 2018 | 20,206 |
| Profit for the year | 2,972 |
| **Balance as at 31 December 2018** | **23,178** |
| | |
| Balance as at 1 January 2019 * | 23,178 |
| Profit for the year | 1,950 |
| **Balance as at 31 December 2019** | **25,128** |

* The Foundation has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in accumulated surplus at the date of initial application. See Note 5.



The statement of changes in fund balance is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 31.

# Statement of Cash Flows for 2019

| AMD'000 | 2019 | 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash receipts from customers | 91,217 | 91,473 |
| Grants and donations received | 420,714 | 904,568 |
| Other receipts | 6,599 | - |
| Grants returned | (28,688) | - |
| Grants and donations given | (280,085) | (187,871) |
| Cash paid to suppliers | (185,267) | (495,188) |
| Cash paid to employees | (167,754) | (429,219) |
| Payments for taxes other than on income | (844) | (152,690) |
| **Cash flows used in operating activities before income taxes paid** | **(144,108)** | **(268,927)** |
| Income tax paid | - | - |
| **Net cash flow used in operating activities** | **(144,108)** | **(268,927)** |
| | | |
| **Cash flows from investing activities** | | |
| Acquisition of property, equipment and intangible assets | (351) | (1,497) |
| Placement of bank deposits | (136,989) | - |
| Proceeds from bank deposits | - | 269,545 |
| Proceeds from borrowings given | - | 3,382 |
| Interest income received | 1,606 | 22,949 |
| **Net cash flow (used in)/from investing activities** | **(135,734)** | **294,379** |
| | | |
| **Cash flows from financing activities** | | |
| Repayment of borrowings | (14,448) | (7,000) |
| **Net cash flow used in financing activities** | **(14,448)** | **(7,000)** |
| | | |
| **Net (decrease)/increase in cash and cash equivalents** | **(294,290)** | **18,452** |
| Cash and cash equivalents at 1 January | 316,523 | 299,038 |
| Effect of exchange rate fluctuations on cash and cash equivalents | (522) | (967) |
| **Cash and cash equivalents at 31 December (Note 6)** | **21,711** | **316,523** |

* The Foundation has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in accumulated surplus at the date of initial application. See Note 5.



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 31.

# 1 Reporting entity

## (a) Armenian business environment

The Foundation's operations are located in Armenia. Consequently, the Foundation is exposed to the economic and financial markets of Armenia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia. These financial statements reflect management's assessment of the impact of the Armenian business environment on the operations and the financial position of the Foundation. The future business environment may differ from management's assessment.

In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Together with other factors, this has resulted in a sharp decrease in the stock market indices, volatility in currency market and uncertainties over risk changes of company defaults. These developments can further increase the level of uncertainty in the Armenian business environment (see Note 24).

## (b) Foundation and operations

Ayb Educational Foundation (the "Foundation") was established by:

- Ashot Aslanyan
- Davit Pakhchanyan
- Aram Pakhchanyan
- Karo Sargsyan
- Karen Musaelyan
- David Yan
- Matevos Aramyan
- Ogtagon LLC

The main objective of the Foundation is the creation of high quality educational environment in Armenia, support to the development and improvement of educational system of Republic of Armenia, support to youth in career development and protection of their rights.

The Foundation's registered address is 11/11 Tbilisi Highway, Yerevan 0052, Republic of Armenia.

# 2 Basis of accounting

### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

This is the first set of the Foundation's annual financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 5.

# 3 Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram ("AMD"), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in AMD has been rounded to the nearest thousand, except when otherwise indicated.

# 4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 22 (g) – allocation of expenses.

# 5 Changes in significant accounting policies

The Foundation initially applied IFRS 16 *Leases* from 1 January 2019.

The Foundation applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in accumulated surplus at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

## (a) Definition of a lease

Previously, the Foundation determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Foundation now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Foundation elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Foundation applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

**(b) As a lessee**

As a lessee, the Foundation leases property for administrative purposes. The Foundation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Foundation. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

The Foundation has elected to apply the practical expedient for short-term leases and did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application.

***(i) Leases classified as operating leases under IAS 17***

Previously, the Foundation classified property leases as operating leases under IAS 17. Because of the application of practical expedient of short-term leases mentioned above the transition to IFRS 16 did not result to changes in asset and liability recognition.

**(c) Impact on financial statements**

On transition to IFRS 16, there was no impact on the financial statements as the Foundation used practical expedient described above for all leases and did not recognize any right-of-use assets and additional liabilities.

A number of other new standards and amendments to the existing standards are effective from 1 January 2019 but they do not have a material effect on the Foundation's financial statements.

# 6 Cash and cash equivalents

| AMD'000 | 2019 | 2018 |
|---|---|---|
| Bank balances | 21,711 | 316,523 |
| **Cash and cash equivalents in the statement of financial position and in the statement of cash flows** | **21,711** | **316,523** |

The Foundation's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 17.

# 7 Bank deposits

Term and conditions of outstanding bank deposit were as follows:

| '000 AMD | Currency | Nominal interest rate | Year of maturity | 2019 Face value | 2019 Carrying amount | 2018 Face value | 2018 Carrying amount |
|---|---|---|---|---|---|---|---|
| Bank deposit | USD | 3.0% | 2020 | 112,988 | 112,988 | - | - |
| Bank deposit | USD | 1.5% | 2020 | 24,001 | 24,001 | - | - |
| | | | | **136,989** | **136,989** | - | - |

The Foundation's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 17.

# 8 Other assets

| **AMD'000** | **2019** | **2018** |
|---|---|---|
| Borrowings given | 4,596 | 4,597 |
| Grants receivables | 559 | 4,839 |
| **Receivables included in amortized cost category** | **5,155** | **9,436** |
| Advances and prepayments | 14,391 | 18,338 |
| Current tax assets | 15,551 | 15,551 |
| Other | 6,147 | 4,424 |
| | **41,244** | **47,749** |

As at 31 December 2019 the Foundation has three counterparties (2018: two counterparty), whose balance exceeded 10% of the total prepayments and other receivables. The total value of these balances as of 31 December 2019 is AMD 13,521 thousand (2018: AMD 11,939 thousand).

The Foundation's exposure to credit and currency risks related to grants receivable and borrowings given are disclosed in Note 17.

# 9 Property, equipment and intangible assets

| AMD'000 | Computers and equipment | Motor vehicles | Fixtures, fittings and literature | Leasehold improvement | Intangible assets | Total |
|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | |
| Balance at 1 January 2018 | 46,020 | 19,256 | 31,775 | 13,974 | 57,834 | 168,859 |
| Additions | 974 | - | 172 | - | 550 | 1,696 |
| **Balance at 31 December 2018** | **46,994** | **19,256** | **31,947** | **13,974** | **58,384** | **170,555** |
| Balance at 1 January 2019 | 46,994 | 19,256 | 31,947 | 13,974 | 58,384 | 170,555 |
| Additions | 190 | - | 161 | - | - | 351 |
| Internal transfers | - | - | 242 | (242) | - | - |
| Disposals/ Write offs | (3,878) | - | (970) | (13,732) | (19) | (18,599) |
| **Balance at 31 December 201** | **43,306** | **19,256** | **31,380** | **-** | **58,365** | **152,307** |
| ***Depreciation and amortization*** | | | | | | |
| Balance at 1 January 2018 | 28,805 | 5,813 | 16,647 | 5,612 | 50,969 | 107,846 |
| Depreciation and amortization for the year | 6,639 | 1925 | 5,939 | 2,782 | 1,145 | 18,430 |
| **Balance at 31 December 2018** | **35,444** | **7,738** | **22,586** | **8,394** | **52,114** | **126,276** |
| Balance at 1 January 2019 | 35,444 | 7,738 | 22,586 | 8,394 | 52,114 | 126,276 |
| Depreciation and amortization for the year | 6,019 | 1,926 | 4,146 | 2,760 | 1,177 | 16,028 |
| Internal transfers | - | - | 209 | (209) | - | - |
| Disposals/Write offs | (3,625) | - | (773) | (10,945) | (19) | (15,362) |
| **Balance at 31 December 2019** | **37,838** | **9,664** | **26,168** | **-** | **53,272** | **126,942** |
| ***Carrying amounts*** | | | | | | |
| At 1 January 2018 | 17,215 | 13,443 | 15,128 | 8,362 | 6,865 | 61,013 |
| At 31 December 2018 | 11,550 | 11,518 | 9,361 | 5,580 | 6,270 | 44,279 |
| **At 31 December 2019** | **5,468** | **9,592** | **5,212** | **-** | **5,093** | **25,365** |

## 10 Trade and other payables

| AMD'000 | 2019 | 2018 |
|---|---|---|
| Trade payables | 14,629 | 57,596 |
| Payables to employees | 7,717 | 11,960 |
| Prepayment received | 11,550 | 10,737 |
| Payables to state budget | 19,768 | 39 |
| **Total payables** | **53,664** | **80,332** |

The Foundation's exposure to currency and liquidity risks related to payables are disclosed in Note 17.

## 11 Grants related to assets

| AMD'000 | 2019 | 2018 |
|---|---|---|
| Opening balance | 44,018 | 62,333 |
| Received during the year | - | 115 |
| Recognized in contribution income | (19,265) | (18,430) |
| **Closing balance** | **24,753** | **44,018** |

## 12 Grants related to income

| AMD'000 | 2019 | 2018 |
|---|---|---|
| Opening balance | 152,757 | 519,338 |
| Received during the year | 416,434 | 904,567 |
| Grants returned | (28,688) | - |
| Recognised in contribution income | (518,957) | (1,271,148) |
| **Closing balance** | **21,546** | **152,757** |

## 13 Short term borrowings

As at 31 December 2019 the Foundation had one unsecured borrowing from related party with carrying amount of AMD 131,776 thousand (2018: AMD 142,000 thousand). The borrowing is non-interest bearing and is repayable on demand.

# 14 Contribution income

| AMD'000 | 2019 | 2018 |
|---|---|---|
| From asset related grants | 19,265 | 18,430 |
| From income related grants | 518,957 | 1,271,148 |
| | **538,222** | **1,289,578** |

# 15 Program expenses

| AMD'000 | 2019 | 2018 |
|---|---|---|
| Donations given | 285,653 | 274,695 |
| Personnel expenses | 106,062 | 372,833 |
| Construction of Ayb School building | 30,330 | 223,863 |
| Educational process development costs | 22,480 | - |
| Depreciation and amortization expense | 16,028 | 18,430 |
| Rent expenses | 11,687 | 23,148 |
| Advertising expenses | 7,307 | 10,967 |
| Business trip and representation | 6,476 | 22,392 |
| Utility and office expenses | 4,060 | 5,977 |
| Educational and other materials | 1,820 | 315,857 |
| Other | 18,157 | 21,729 |
| | **510,060** | **1,289,891** |

# 16 Service expenses

| AMD'000 | 2019 | 2018 |
|---|---|---|
| Personnel expenses | 57,449 | 33,070 |
| Educational and other materials | 34,284 | 38,995 |
| Rent expenses | 8,017 | 9,916 |
| Business trip and representation expenses | 7,822 | 9,592 |
| Utility and office expenses | 3,349 | 2,560 |
| Advertising expenses | 2,437 | 4,698 |
| Transportation expenses | 2,244 | 1,785 |
| Other expenses | 6,220 | 792 |
| | **121,822** | **101,408** |

# 17 Fair values and risk management

## (a) Fair values of financial instruments

The estimated fair value of all the financial assets and liabilities approximate their carrying amounts.

## (b) Financial risk management

The Foundation has exposure to the following risks from its use of financial instruments:

- credit risk (see Note 17 (c));
- liquidity risk (see Note 17 (d));
- market risk (see Note 17 (e)).

Management has overall responsibility for the establishment and oversight of the Foundation's risk management framework.

The Foundation's risk management policies are established to identify and analyze the risks faced by the Foundation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Foundation's activities.

The Foundation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

## (c) Credit risk

Credit risk is the risk of financial loss to the Foundation if a counterparty of a financial instrument fails to meet its contractual obligations. Financial assets, which are potentially subject to concentrations of credit risk, consist principally of bank balances. Although collection of bank balances could be influenced by economic factors, management believes that no counterparty will fail to meet its obligations and that the Foundation is, accordingly, not significantly exposed to credit risk. Bank balances are maintained with reputable Armenian banks, and the Foundation does not expect any counterparty to fail to meet its obligations.

For portfolios in respect of which the Foundation has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL which also represents the maximum exposure to credit risk from financial assets at the reporting date is as follows:

| AMD'000 | 2019 | 2018 | External benchmarks used | |
|---|---|---|---|---|
| | | | PD | LGD |
| **ASSETS** | | | | |
| Bank balances | 21,711 | 316,523 | S&P default study | - |
| Deposits in banks | 136,989 | - | S&P default study | - |
| Grants receivable | 559 | 4,839 | S&P default study | Moody's recovery studies |
| Borrowings given | 4,596 | 4,597 | S&P default study | Moody's recovery studies |
| **Total maximum exposure** | **163,855** | **325,959** | | |

**Cash and cash equivalents and deposits in banks**

The Foundation holds cash and cash equivalents of AMD 21,711 thousand (2018: AMD 316,523 thousand) and deposits of AMD 136,989 thousand at 31 December 2019 (2018: nil) which represents its maximum credit exposure on these assets.

The bank balances and deposits are fully in Stage 1 and are held with reputable Armenian banks and the Foundation does not expect them to fail to meet their obligations. No bank balances and deposits are credit impaired or past due.

Per Foundation's assessment no impairment loss is recognised on bank accounts primarily due to their short nature and on bank deposit due to the immaterial amount of expected credit loss at reporting date.

**Grants receivable**

Grants receivable is attributable to a transaction with a single customer. The balance is not impaired or overdue. Per Foundation's assessment, no impairment loss is recognised on grants receivable primarily due to their short maturities.

**Borrowings given**

The Foundation uses a similar approach for assessment of ECLs for borrowings given to those used for grants receivables. The Foundation's policy is to provide borrowings to related parties.

With respect to the borrowings given to related parties the Foundation does not expect material losses as the balances are on demand.

### (d) Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Foundation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Foundation's reputation. The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

| 31 December 2019 | | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|---|
| AMD'000 | Carrying amount | Total | Less than 2 months | 2-12 months | 1-2 years | 2-5 years | Over 5 years |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables | 14,629 | 14,629 | 14,629 | - | - | - | - |
| Borrowings received | 132,792 | 132,792 | 131,776 | - | 1,016 | - | - |
| | **147,421** | **147,421** | **146,405** | **-** | **1,016** | **-** | **-** |

| 31 December 2018 | | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|---|
| AMD'000 | Carrying amount | Total | Less than 2 months | 2-12 months | 1-2 years | 2-5 years | Over 5 years |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables | 57,596 | 57,596 | 57,596 | - | - | - | - |
| Borrowings received | 147,240 | 147,240 | 142,000 | - | 5,240 | - | - |
| | **204,836** | **204,836** | **199,596** | **-** | **5,240** | **-** | **-** |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## (e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### *Currency risk*

The Foundation is exposed to currency risk to the extent that there is a mismatch between currencies in which deposits, grant and other receivables and borrowings are denominated and the functional currency of the Foundation. The currency in which these transactions are primarily denominated is USD.

The Foundation's exposure to foreign currency risk was as follows:

| AMD'000 | USD-denominated 2019 | USD-denominated 2018 |
|---|---|---|
| Deposits in banks | 136,989 | - |
| Bank balances | 20,643 | 303,421 |
| Other assets | 4,596 | 12,264 |
| Borrowings received | (1,016) | (3,513) |
| Trade and other payables | - | (23) |
| | **161,212** | **312,149** |

The following significant exchange rates have been applied during the year:

| | Average rate | | Reporting date spot rate | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| USD | 480.24 | 483.03 | 479.7 | 483.75 |

**Sensitivity analysis**

A reasonably possible strengthening (weakening) of the AMD, as indicated below, against USD at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| '000 AMD | Strengthening | Weakening |
|---|---|---|
| | Profit or loss | Profit or loss |
| **31 December 2019** | | |
| AMD 10% movement against USD | (16,121) | 16,121 |
| **31 December 2018** | | |
| AMD 10% movement against USD | (31,215) | 31,215 |

**Interest rate risk**

At the reporting date the interest rate profile of the Foundation's interest-bearing financial instruments was as follows:

| '000 AMD | Carrying amount | |
|---|---|---|
| | 2019 | 2018 |
| **Fixed rate instruments** | | |
| Financial assets | 136,768 | 5,965 |

**Fair value sensitivity analysis for fixed rate instruments**

The Foundation does not account for any fixed rate financial instruments as fair value through profit or loss or fair value through other comprehensive income. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

# 18 Capital management

Given the nature of the Foundation's operations, the Foundation does not have a formal capital management policy. The Foundation is not subject to externally imposed capital requirements.

# 19 Contingencies

**Taxation contingencies**

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

## 20 Related party transactions

### *(i) Management remuneration*

Key management received the following remuneration during the year, which is included in personnel expenses:

| AMD'000 | 2019 | 2018 |
|---|---|---|
| Salaries and bonuses | 15,260 | 98,516 |

### *(ii) Other transactions with key management*

| AMD'000 | Transaction value for the year ended 31 December | | Outstanding balance as at 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Grants related to income | 1,093 | 113 | - | - |

### *(iii) Transactions with Board of Trustees and founders*

| AMD'000 | Transaction value for the year ended 31 December | | Outstanding balance as at 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Grants related to income | 130,666 | 63,607 | - | - |

### *(iv) Transactions with other related parties*

| AMD'000 | Transaction value for the year ended 31 December | | Outstanding balance as at 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Grants related to income (received) | 12,984 | 2,785 | - | - |
| Grant given | (182,379) | (435,622) | - | - |
| Borrowings received | | - | 131,776 | 142,000 |
| Acquisition of goods and services | (18,624) | (31,984) | 1,243 | 2,200 |

All outstanding balances with related parties are to be settled in cash within one year of the reporting date. None of the balances are secured. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

Other related parties represent entities under common control with the Foundation and other foundations founded by the Foundation.

# 21 Basis of measurement

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

# 22 Significant accounting policies

Except for the changes disclosed in Note 5, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**(a) Foreign currency transactions**

Transactions in foreign currencies are translated to AMD at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AMD at the exchange rate at that date. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in retranslation are recognised in profit or loss.

**(b) Financial instruments**

***(ii) Recognition and initial measurement***

The Foundation initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Foundation becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A contribution receivable without a significant financing component is initially measured at the transaction price.

***(iii) Classification and subsequent measurement***

**Financial assets**

On initial recognition, a financial asset is classified as measured at amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Foundation changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Foundation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Financial assets – Business model assessment**

The Foundation makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Foundation's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Foundation considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Foundation considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Foundation's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**Financial assets**

**Financial assets – Subsequent measurement and gains and losses**

The Foundation classified its financial assets into financial assets at amortised cost category. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

**Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

***(iv) Modification of financial assets and financial liabilities***

**Financial assets**

If the terms of a financial asset are modified, the Foundation evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Foundation performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Foundation assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Foundation analogizes to the guidance on the derecognition of financial liabilities.

The Foundation concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Foundation recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

**Financial liabilities**

The Foundation derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Foundation applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Foundation recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms.

Foundation performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Foundation concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

***Derecognition***

**Financial assets**

The Foundation derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Foundation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Foundation enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**Financial liabilities**

The Foundation derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Foundation also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

***(vi) Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Foundation currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**(c) Impairment**

**Non-derivative financial assets**

*Financial instruments and contract assets*

The Foundation recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances for contribution receivable are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Foundation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Foundation's historical experience and informed credit assessment and including forward-looking information.

The Foundation assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Foundation considers a financial asset to be in default when:

- the counterparty is unlikely to pay its credit obligations to the Foundation in full, without recourse by the Foundation to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Foundation is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Foundation expects to receive).

*Credit-impaired financial assets*

At each reporting date, the Foundation assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of an amount due to the Foundation on terms that the Foundation would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

*Write-off*

The gross carrying amount of a financial asset is written off when the Foundation has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Foundation individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Foundation expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Foundation's procedures for recovery of amounts due.

***Non-financial assets***

The carrying amounts of the Foundation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## (d) Property and equipment

### *(i) Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

If parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognized net within other income/expense in profit or loss.

### *(ii) Subsequent costs*

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Foundation and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

### *(iii) Depreciation*

Items of property and equipment are depreciated from the date that they are installed and are ready for use or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is generally recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of significant items of property and equipment for the current and comparative periods are as follows:

| | |
|---|---|
| – computers and equipment | 3-10 years |
| – vehicles | 5-10 years |
| – fixtures and fittings | 3-5 years |
| – leasehold improvement | 1-10 years |
| – intangible assets | 5 years |
| – other assets | 1-10 years |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**(e) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(f) Grants and contribution income**

Grants related to income and grants related to assets are recognised initially at fair value when there is reasonable assurance that they will be received and that the Foundation will comply with the conditions associated with the grant. Grants related to assets are recognised in profit or loss on a systematic basis over the useful life of the asset. Grants related to income that compensate the Foundation for expenses incurred are recognised in profit or loss as contribution income on a systematic basis in the same periods in which the expenses are recognized.

**(g) Expenses**

Program expenses relating to provision of grants are recognised when a grant letter is signed between the Foundation and the grantee. If grants are provided with conditions, the grant expense is recorded when the grantee meets the condition or when the likelihood that the recipient will not meet the conditions becomes remote.

Other program expenses and non-grant expenses are recognised on an accrual basis, when goods are received or when services are performed.

Allocation of expenses related to program and service expenses is performed based on the underlying nature of the expense as well as management's best estimate of the time spent and related expenses incurred on program related/service related activities.

The management estimates the time spent and the related expenses incurred on program related and service related activities in average proportions of 71% and 29% (2018: 92% and 8%).

**(h) Leases**

The Foundation has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

***Policy applicable from 1 January 2019***

At inception of a contract, the Foundation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Foundation uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

***As a lessee***

The Foundation recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Foundation by the end of the lease term or the cost of the right-of-use asset reflects that the Foundation will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Foundation's incremental borrowing rate. Generally, the Foundation uses its incremental borrowing rate as the discount rate.

The Foundation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise of the fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Foundation presents right-of-use assets and lease liabilities separately in the statement of financial position.

A lease term reflects the Foundation's reasonable estimate of the period during which the underlying asset will be used. In determining the lease term the Foundation bases its judgement on the broader economics of the contract and the underlying asset, rather than the contractual terms only and allows factors like economic penalties, legislative approach to renewal of the lease, forthcoming changes in regulation to be effectively captured in the estimate of the lease term.

***Policy applicable before 1 January 2019***

***As a lessee***

In the comparative period, the Foundation did not have leases classified as finance leases. Assets held under all leases were classified as operating leases and were not recognised in the Foundation's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

# 23 New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Foundation has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Foundation's financial statements:

- *Amendments to References to Conceptual Framework in IFRS Standards;*
- *Definition of a Business (Amendments to IFRS 3);*
- *Definition of Material (Amendments to IAS 1 and IAS 8);*
- *IFRS 17 Insurance Contracts;*
- *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28);*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).*

# 24 Subsequent events

On 11 March 2020, the World Health Organization declared the coronavirus outbreak a pandemic. Responding to the potentially serious threat the COVID-19 presents to public health, the Armenian government authorities have taken measures to contain the outbreak, including imposing restrictions on the cross-borders movement of people, entry restrictions for foreign visitors and instructing business community to transfer employees to working from home. During March 2020, the Government authorities gradually introduced additional measures to enhance social distancing, including closing schools, universities, restaurants, cinemas, theaters and museums and sport facilities. In order to ensure the sanitary and epidemiological well-being of the population, the Government declared State of Emergency from 16 March to 14 May 2020 for all employees except for medical and pharmacy organizations, emergency services, food and essential goods providers and continuous operating cycle entities. On 14 May 2020 the Government has approved extending the state of emergency declared over the coronavirus outbreak until 13 June 2020 and on 12 June 2020 has approved extending until 13 July 2020, however many sectors of the economy such as preschools, shopping malls, public transport were allowed to be reopened to allow people to return to work. The wearing of masks became mandatory in all public spaces.

In March 2020, the Armenian government announced a package of measures to support industries most heavily affected by the outbreak of COVID-19. The program includes, among other, loans with reduced interest rates and fee payments for small and medium-sized businesses, postponement of loans repayment, state support on loans refinancing and restructuring for businesses in hard-hit industries. The list of heavily affected industries is closely monitored and may be adjusted based on further developments.

The Foundation operates in the educational industry, supports to the development and improvement of educational system in Armenia, supports to youth in career development and protection of their rights. The Foundation's operations has been transitioned to online platforms and were not interrupted in the time of COVID-19. Based on the publicly available information at the date these financial statements were authorized for issue, management has considered the potential development of the outbreak and its expected impact on the Foundation and economic environment, in which the Foundation operates, including the measures already taken by the Armenian government and governments in other countries, where the Foundation's major business partners and customers are located.

Considering the above-mentioned factors and the Foundation's current operational and financial performance along with other currently available public information, management does not anticipate an immediate significant adverse impact of the COVID-19 outbreak on the Foundation's financial position and operating results. However, management cannot preclude the possibility that extended lockdown periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment will have an adverse effect on the Foundation in the medium and longer-term. The Foundation also considers negative development scenarios and is ready to adapt its operational plans accordingly. Management continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.