Financial Statements and Independent Auditor's Report

Ayb Educational Foundation

31 December 2021

Contents

Independent auditor's report	3
Statement of financial position	5
Statement of income and expenses and change in net assets	6
Statement of cash flows	7
Notes to the financial statements	8

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Independent auditor's report

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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 of 31 December 2021, and the statement of income and expenses and changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Foundation as of 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Other Matter

The financial statements of the Foundation for the year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on those financial statements on 30 June 2021.

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

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

In preparing the financial statements, management is responsible for assessing the 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

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

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

Armen Hovhannisyan	Lilit Arabajyan, FCCA
Chief Executive Officer	Engagement Partner

25 August 2022

Statement of financial position

In thousand drams	Note	As of 31 December 2021	As of 31 December 2020
Assets			
Non-current assets			
Property, equipment and intangible assets	4	15,459	16,446
Right-of use assets	5	32,633	-
Prepayments for non-current assets		1,178	1,178
Deferred tax assets		-	12,222
		49,270	29,846
Current assets			
Inventories	6	27,771	15,922
Accounts receivable	7	28,941	5,102
Term deposits	8	111,915	121,242
Bank balances		82,666	25,011
		251,293	167,277
Total assets		300,563	197,123
Non-current liabilities			
Lease liabilities	9	24,177	-
Long-term borrowings		1,097	1,097
		25,274	1,097
Current liabilities			
Lease liabilities	9	10,937	-
Short-term borrowings	10	115,383	121,054
Trade and other payables	11	37,122	24,969
Grants related to assets		4,755	18,385
Grants related to income	12	17,348	13,403
		185,545	177,811
Net assets			
Accumulated funds		89,744	18,215
Total fund balance and liabilities		300,563	197,123

The financial statements were approved on 25 August 2022 by:

Sona Koshetsyan
Executive Director

Narek Manukyan
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 26.

Statement of income and expenses and change in net assets

In thousand drams	Note	Year ended 31 December 2021	Year ended 31 December 2020
Contribution income		343,802	385,747
Contract revenue	13	162,811	54,661
Other income		801	3,692
		507,414	444,100
Program expenses	14	(278,581)	(367,469)
Service expenses	15	(134,823)	(94,523)
Results from operating activities		94,010	(17,892)
Finance income		6,446	4,122
Finance costs		(3,100)	(993)
(Loss)/gain from exchange differences, net		(13,605)	7,850
Profit/(loss) before income tax		83,751	(6,913)
Income tax expense	17	(12,222)	-
Profit/(loss) for the year		71,529	(6,913)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		71,529	(6,913)
Net assets at the beginning of the year		18,215	25,128
Net assets at the end of the year		89,744	18,215

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 8 to 26.

Statement of cash flows

In thousand drams	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities		
Cash receipts from customers	173,819	59,809
Grant and donations received	333,415	365,103
Other receipts	2,675	862
Grants and donations given	(96,800)	(214,996)
Cash paid to suppliers	(159,994)	(88,959)
Cash paid to employees	(179,123)	(134,785)
Payments for taxes other than on income	(123)	(115)
Cash flows from/(used) in operating activates before income taxes paid	73,869	(13,081)
Income tax paid	-	-
Net cash from/(used in) operating activities	73,869	(13,081)
Cash flows from investing activities		
Acquisition of property, equipment and intangible assets	(3,082)	(1,755)
Placement of bank deposits	-	(1,500)
Proceeds from bank deposits	-	29,349
Interest income received	4,297	3,948
Net cash from investing activities	1,215	30,042
Cash flows from financing activities		
Lease payments	(8,246)	(6,624)
Repayment of borrowings	(5,670)	(6,125)
Net cash used in financing activities	(13,916)	(12,749)
Net increase in cash and bank balances	61,168	4,212
Foreign exchange effect on cash	(3,513)	(912)
Cash and bank balances at the beginning of the year	25,011	21,711
Cash and bank balances at the end of the year	82,666	25,011

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 26.

Notes to the financial statements

1 Nature of operations and general information

Ayb Educational Foundation (the "Foundation") was established on 4 December 2006, in accordance with the laws of the Republic of Armenia. The main purpose of the Foundation is to establish a high quality, universal, exemplary system of education in Armenia, promote the development and improvement of the learning environment in Armenia, support students and youth in education-related issues and their career development, assist employees of education-related organizations and protect their interests.

The Foundation is a non-membership, non-profit organization, which is established based on voluntary contributions of property on behalf of citizens and legal persons, which unites abilities of people, who realize the importance of education in lives of each individual and have the will to create a qualified and a comprehensive education environment.

The founders of the Foundation are:
- Ashot Aslanyan,
- Davit Pakhchanyan,
- Aram Pakhchanyan,
- Karo Sargsyan,
- Karen Musaelyan,
- Davit Yan,
- Matevos Aramyan,
- Ogtagon LLC.

The Board of Trustees of the Foundation consists of seven members:
- Aram Pakhchanyan,
- Artur Berd
- Artak Hovhannisyan
- Karen Musaelyan
- Karo Sargsyan
- David Yang (represented by Tigran Bunarjyan)
- Tigran Harutyunyan

The average number of employees of the Foundation during 2021 was 63 employees (2020: 42 employees).
The legal address of the Foundation is 11/11 Tbilisi Highway, Yerevan 0052, Republic of Armenia.

2 Basis of preparation

2.1 Statement of compliance

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

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

2.2 Basis of measurement

The financial statements have been prepared on an accruals basis and under the historical cost convention with the exception of certain financial instruments that are stated at present discounted value of future cash flows.

2.3 Functional and presentation currency

The national currency of Armenia is the Armenian dram ("dram"), which is the Foundation's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Foundation.

These financial statements are presented in Armenian drams (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 IFRSs requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 19 to the financial statements.

2.5 Adoption of new and revised standards

In the current year the Foundation 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 1 January 2021.

The nature and the effect of these changes are disclosed below.

New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2021

New standards and amendments described below and applied for the first time in 2021 did not have an impact on the annual financial statements of the Foundation:

Standard	Title of Standard or Interpretation
Various	*Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 16, IFRS 4, IFRS 7)*

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

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Foundation.

Management anticipates that all of the relevant pronouncements will be adopted in the Foundation's accounting policies for the first period beginning on or after the effective date of the pronouncement.

Management does not anticipate an impact on the Foundation's financial statements from these Standards and amendments, they are presented below:

Standard	Title of Standard or Interpretation	Effective for reporting periods beginning on or after
IFRS 16	*COVID-19 Rent Related Concessions beyond 30 June 2021*	*1 April 2021*
IFRS 3	*References to the conceptual framework (Amendments to IFRS 3)*	*1 January 2022*
IAS 16	*Proceeds before intended use (Amendments to IAS 16)*	*1 January 2022*
IFRS 1, IFRS 9, IFRS 16	*Annual improvements to IFRS Standards 2018-2020 cycle (Amendments to IFRS 1, IFRS 9, IFRS 16)*	*1 January 2022*
IFRS 4	*Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)*	*1 January 2023*
IFRS 17	*Initial application of IFRS 17 and IFRS 9 – Comparative information (Amendment to IFRS 17)*	*1 January 2023*
IAS 1	*Classification of liabilities as current or non-current (Amendment to IAS 1)*	*1 January 2023*
IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*	*1 January 2023*

3 Significant accounting policies

3.1 Foreign currencies

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 480.14 drams for 1 US dollar and 542.61 drams for 1 euro as of 31 December 2021 (31 December 2020: 522.59 drams for 1 US dollar and 641.11 drams for 1 euro). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

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

3.2 Property and equipment

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes directly attributable expenditures, site preparation, installation and assembly costs, professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Foundation's accounting policy.

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

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

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

Computers and equipment	-	3-10 years
Motor vehicles	-	5-10 years
Fixture, fittings and literature	-	3-5 years

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

3.3 Intangible assets

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

Amortization is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the intangible assets, which is estimated at 5 years.

3.4 Impairment of property and equipment and intangible assets

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

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

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

3.5 Leased assets

The Foundation as a lessee

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

The Foundation as a lessor

As a lessor the Foundation classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

3.6 Inventories

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

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

3.7 Financial instruments

Recognition and derecognition

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

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

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

Classification and initial measurement of financial assets

Except for those receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost

- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the Foundation's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of other receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Foundation's cash and cash equivalents, term deposits and accounts receivable fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the "expected credit loss (ECL) model". Other receivables are recognized and measured under IFRS 15.

Recognition of credit losses is no longer dependent on the Foundation first identifying a credit loss event. Instead the Foundation considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Accounts receivable

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

The Foundation assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 21 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

The Foundation's financial liabilities include loans and borrowings, trade and other payables and lease liabilities. A summary of the Foundation's financial liabilities by category is given in note 20.

Loans and borrowings

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

Trade and other payables

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

Lease liabilities

Lease liabilities are measured at present value of lease payments, discounted using the interest rate implicit in the lease or the Foundation's incremental borrowing rate and subsequently stated at amortized cost. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

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

3.8 Cash and cash equivalents

Cash and bank balances comprise bank accounts.

For the purpose of the statement of cash flows, cash equivalents are on-demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Foundation classifies investments as a cash equivalent if it is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value.

3.9 Grants

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

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

Other 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 Foundation with no future related costs are recognized in profit or loss in the period in which they become receivable.

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.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

3.11 Employee benefits

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

(a) wages, salaries and bonuses;

(b) paid annual leaves and paid disability leaves.

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

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

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

Paid absences

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

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

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

Bonuses

The expected cost of bonus payments is recognized when and only when the Foundation has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, the Foundation has no realistic alternative but to make the payments.

3.12 Revenue

Revenue arises mainly from the organizing of competitions and trainings.

To determine whether to recognize revenue, the Foundation follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized either at a point in time or over time, when (or as) the Foundation satisfies performance obligations by transferring the promised goods or services to its customers.

The Foundation recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as advances from customers in the statement of financial position. Similarly, if the Foundation satisfies a performance obligation before it receives the consideration, the Foundation recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Revenue from services provided

As soon as the outcome of a contract can be estimated reliably, revenue from services is recognized in the statement of income and expenses in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity. When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in the statement of income and expenses.

Income from grants, donations and contributions

Income from grants, donations and contributions is recognized when it is probable that those will be received and the income amount can be measured reliably.

Funds provided by the founder or other entities are recognized as income when they become receivable, except when they are provided with certain conditions, in which case the amounts received are recognized as deferred income in the statement of financial position. Deferred income is released to profit or loss in the period in which they compensate corresponding expenses for which they were received.

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 Foundation with no future related costs are recognized in profit or loss in the period in which they become receivable.

Interest income

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4 Property, equipment and intangible assets

In thousand drams	Computer and equipment	Motor vehicles	Fixture, fittings and literature	Intangible assets	Total
Cost					
as of 1 January 2020	43,306	19,256	31,380	58,365	152,307
Additions	892	-	510	1,267	2,669
Disposals	(1,367)	-	(12,180)	-	(13,547)
as of 31 December 2020	42,831	19,256	19,710	59,632	141,429
Additions	2,689	-	1,187	1,174	5,050
Disposals	(38)	-	(2,134)	(29)	(2,201)
as of 31 December 2021	45,482	19,256	18,763	60,777	144,278
Accumulated depreciation					
as of 1 January 2020	37,838	9,664	26,168	53,272	126,942
Charge for the year	5,197	1,926	2,993	70	10,186
Eliminated on disposal	(1,027)	-	(11,118)	-	(12,145)
as of 31 December 2020	42,008	11,590	18,043	53,342	124,983
Charge for the year	942	1,926	1,830	1,272	5,970
Eliminated on disposal	(38)	-	(2,067)	(29)	(2,134)
as of 31 December 2021	42,912	13,516	17,806	54,585	128,819
Carrying amount					
as of 31 December 2020	823	7,666	1,667	6,290	16,446
as of 31 December 2021	2,570	5,740	957	6,192	15,459

5 Right of use assets

In thousand drams	Office spaces
Cost	
as of 31 December 2020	-
Additions	40,260
as of 31 December 2021	40,260
Accumulated depreciation	
as of 31 December 2020	-
Charge for the year	7,627
as of 31 December 2021	7,627
Carrying amount	
as of 31 December 2020	-
as of 31 December 2021	32,633

The Foundation has signed lease agreements for the office premises for period of up to 4 years. Each lease is reflected in the statement of financial position as a right-of-use asset and a lease liability.

6 Inventories

In thousand drams	As of 31 December 2021	As of 31 December 2020
Goods	19,051	14,694
Materials	7,844	292
Other	876	936
	27,771	15,922

7 Accounts receivable

In thousand drams	As of 31 December 2021	As of 31 December 2020
Financial assets		
Accounts receivable	6,352	1,388
	6,352	1,388
Non-financial assets		
Advances and prepayments	17,683	3,446
Prepaid taxes	4,906	268
	28,941	5,102

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

Note 21 (b) includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

Accounts receivable are denominated in Armenian drams.

8 Term deposits

Term deposits at the amount of US dollars 231,000 are placed with Armeconombank OJSC.The deposit matures in one year and has an annual interest rate of 4.65%.

9 Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

In thousand drams	As of 31 December 2021	As of 31 December 2020
Current	10,937	-
Non-current	24,177	-
	35,114	-

With the exception of short-term leases, each lease is reflected in the statement of financial position as a right-of-use asset and a lease liability. Each lease generally imposes a restriction that, unless there is a contractual right for the Foundation to sublet the asset to another party, the right-of-use asset can only be used by the Foundation. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term.

The table below describes the nature of the Foundation's leasing activities by type of right-of-use asset recognized on the statement of financial position:

Right-of-use asset	Number of right-of-use assets leased	Remaining term (year)	Average remaining lease term (year)
Office spaces	2	3	3

The weighted average borrowing rate used by the Foundation to discount lease liabilities is 11%.

Interest expense for the year ended 31 December 2021, which has been accrued to lease liabilities, makes drams 3,100 thousand and is included in finance costs.

Future minimum lease payments at 31 December 2021 are as follows:

In thousand drams	As of 31 December 2021	As of 31 December 2020
Within one year		
Lease payments	14,094	-
Finance charges	(3,157)	-
	10,937	-
In second to thirty years inclusive		
Lease payments	26,584	-
Finance charges	(2,407)	-
	24,177	-
Net present value	35,114	-

Lease payments not recognized as a liability

The Foundation has elected not to recognize a lease liability for short-term leases (leases with an expected term of 12 months or less). Payments made under such leases are expensed on a straight-line basis.

10 Short-term borrowings

As at 31 December 2021 the Foundation had unsecured borrowing from related party with carrying amount of drams 115,383 thousand (2020: drams 121,054 thousand). The borrowing is interest free and is repayable on demand.

11 Trade and other payables

In thousand drams	As of 31 December 2021	As of 31 December 2020
Payables to employees	14,421	8,387
Taxes and duties payable	9,486	95
Trade and other payables	9,236	12,815
Prepayments received	3,979	3,672
	37,122	24,969

Refer to note 21 for more information about the Foundation's exposure to foreign currency risk.

12 Grants related to income

In thousand drams	As of 31 December 2021	As of 31 December 2020
Balance at the beginning of the year	13,403	21,546
Grants received during the year	333,415	365,103
Credited to the statement of income and expenses	(329,470)	(373,246)
Balance at the end of the year	17,348	13,403

13 Contract revenue

In thousand drams	As of 31 December 2021	As of 31 December 2020
Revenue from trainings	117,414	-
Revenue from organizing of competitions	29,141	54,661
Other	16,256	-
	162,811	54,661

14 Program expenses

In thousand drams	As of 31 December 2021	As of 31 December 2020
Donations	96,800	214,478
Employee compensation expenses	75,451	58,202
Educational process development costs	62,872	54,911
Depreciation and amortization expense	8,912	10,187
Other	51,820	29,691
	278,581	367,469

15 Service expenses

In thousand drams	As of 31 December 2021	As of 31 December 2020
Employee compensation expenses	103,672	76,622
Educational and other materials	7,125	13,964
Overhead and other expenses	24,026	3,937
	134,823	94,523

16 (Loss)/gain from foreign currency exchange, net

In thousand drams	As of 31 December 2021	As of 31 December 2020
Financial assets measured at amortized cost		
Accounts receivable	579	-
Bank balances	(3,513)	7,850
Term deposits	(9,806)	-
Financial liabilities measured at amortized cost		
Trade and other payables	(865)	-
	(13,605)	7,850

17 Income tax expense

In thousand drams	Year ended 31 December 2021	Year ended 31 December 2020
Current tax	-	-
Deferred tax	12,222	-
	12,222	-

Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended 31 December 2021	Effective tax rate (%)	Year ended 31 December 2020	Effective tax rate (%)
(Loss)/profit before taxation (under IFRSs)	83,751		(6,913)	
Tax calculated at a tax rate of 18% (2020: 18%)	15,075	18	(1,244)	18
(Non-taxable)/non-deductible items, net	(2,853)	(3.4)	1,244	(18)
Income tax expense	12,222	14.6	-	-

18 Subsequent events

The conflict broke out on 24 February 2022 in Ukraine has evolved, having a significant impact around the world. The United States and the European countries have imposed severe sanctions against Russian Federation. The Western countries are discussing widening existing sanctions. Russian Federation is a significant trading partner of the Republic of Armenia, hence sanctions imposed on Russia as of the date of these financial statements, as well as escalation of those sanctions could have a drastical effect on the economy and financial markets of the Republic of Armenia. The immediate global implications might be higher inflation, lower growth and some disruption to financial markets as deeper sanctions take hold. Some of the key impacts may include impairment of assets, travel restrictions, inability to obtain financing, etc.

The specific effect is hard to predict with certainty, and management has not yet assessed the effect of the above on the current financial statements.

19 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

19.1 Critical accounting estimates

The Foundation makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property and equipment

Management has estimated useful lives of the property and equipment. Management believes that estimated useful lives of the property and equipment are not materially different from economical lives of those assets. If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

Right-of-use assets and lease liabilities

The value of right-of-use assets and lease liabilities is based on management estimates of lease terms as well as an incremental borrowing rate used to discount lease payments. When assessing the lease term, management considers all facts and circumstances that create the economic incentive for the Foundation to excise the option to extend the lease.

Changes in these factors could affect the estimated lease term and the reported value of right-of-use assets and lease liabilities.

20 Financial instruments

20.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 3.7.

20.2 Categories of financial instruments

The carrying amounts of financial assets and financial liabilities in each category are as follows:

Financial assets

In thousand drams	As of 31 December 2021	As of 31 December 2020
Financial assets measured at amortized cost		
Accounts receivable	6,352	1,388
Term deposits	111,915	121,242
Bank balances	82,666	25,011
	200,933	147,641

Financial liabilities

In thousand drams	As of 31 December 2021	As of 31 December 2020
Financial liabilities measured at amortized cost		
Borrowings	116,480	122,151
Lease liabilities	35,114	-
Trade and other payables	23,657	21,202
	175,251	143,353

21 Financial risk management

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

The most significant financial risks to which the Foundation is exposed are described below.

Financial risk factors

a) *Market risk*

The Foundation is exposed to market risk through its use of financial instruments and specifically to currency risk.

Foreign currency risk

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

Most of the Foundation's transactions are carried out in Armenian drams. Exposures to currency exchange rates arise from the Foundation's bank accounts and term deposits, which are primarily denominated in US dollars.

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

Item	
As of 31 December 2021	US dollar
Financial assets	
Bank balances	60,522
Term deposits	111,915
	172,437
Financial liabilities	
Borrowings	1,097
Trade and other payables	146
	1,243
Net position	171,194

Item	
As of 31 December 2020	US dollar
Financial assets	
Bank balances	16,893
Term deposits	121,242
	138,135
Financial liabilities	
Borrowings	1,097
Trade and other payables	8
	1,106
Net position	137,029

The following table details the Foundation's sensitivity to a 10% (2020: 10%) increase and decrease in dram against US dollar. 10% (2020: 10%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2020: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar by 10% (2020: 10%) then this would have had the following impact:

In thousand drams	US dollar impact	
	2021	2020
Profit or loss	(17,119)	(13,703)

Exposures to foreign exchange rates vary during the year depending on the balances held in banks. Nonetheless, the analysis above is considered to be representative of the Foundation's exposure to currency risk.

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Foundation. The Foundation is exposed to credit risk from financial assets, including cash and cash equivalents held at banks, deposits and other receivables.

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

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

The Foundation continuously monitors the credit quality of customers. Where available, external credit ratings and/or reports on customers are obtained and used. The Foundation's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Service customers are required to pay the amount of the service upfront, mitigating the credit risk.

Accounts receivable

The Foundation applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 31 December 2021 as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Foundation has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Foundation on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

c) Liquidity risk

Liquidity risk is the risk that the Foundation will be unable to meet its obligations.

The Foundation's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related payments when those become due.

The following table details the Foundation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Foundation can be required to pay. The table includes both interest and principal cash flows.

2021	Non-interest bearing	Lease liability	Total
Weighted average effective interest rate (%)		11%	
Less than 2 months	124,619	1,652	126,271
2 months to 1 year	14,421	12,443	26,864
More than 1 years	1,097	26,583	27,680
	140,137	40,678	180,815

2020	Non-interest bearing
Less than 2 months	133,869
2 months to 1 year	8,387
More than 1 year	1,097
	143,353

The Foundation considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources and receivables. The Foundation's cash resources and other receivables exceed the current cash outflow requirements.

22 Contingencies

22.1 Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Foundation does not have full coverage for its facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Foundation property or relating to the Foundation operations. Until the Foundation obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Foundation's operations and financial position.

22.2 Taxes

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

These facts may create tax risks in Armenia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

23 Reconciliation of liabilities arising from financing activities

The changes in the Foundation's liabilities arising from financing activities can be classified as follows:

In thousand drams	Borrowings	Lease liabilities	Total
as of 1 January 2020	132,780	-	132,780
Cash-flows			
Repayments	(6,125)	-	6,125
Non-cash			
Set off	(4,597)	-	4,597
Foreign currency translation	93	-	93
as of 31 December 2020	122,151	-	122,151
Cash-flows			
Repayments	(242)	(8,246)	(8,488)
Non-cash			
Initial recognition	-	40,260	40,260
Interest accrual	-	3,100	3,100
As of 31 December 2021	121,909	35,114	157,023

24 Related parties

The Foundation's related parties include members of board of trustees and founders, key management, entities under common control as described below.

24.1 Control relationships

The Foundation is controlled by members of board of trustees as described in note 1.

24.2 Transactions with related parties

During the reporting year the Foundation had the following transactions with the related parties and as of the reporting date had the following outstanding balances.

In thousand drams

Transactions	Year ended 31 December 2021	Year ended 31 December 2020
Board of Trustees and founders		
Proceeds from grants	20,296	1,522
Entities under common control		
Provision of services	30	-
Proceeds from grants	102,195	101,706
Grants given	74,003	75,350
Repayment of borrowings	5,670	6,125
Key management		
Salaries and bonuses	21,242	18,388

In thousand drams

Outstanding balances	As of 31 December 2021	As of 31 December 2020
Entities under common control		
Borrowings	115,383	121,054
Trade and other receivables	10	-
Key management		
Trade and other payable	3,444	-