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Ayb Educational Foundation

Financial Statements
and Independent Auditor's Report

for the year ended 31 December 2023

Yerevan
2024

Disclaimer

The attached report was originally prepared in Armenian and then translated into English for the convenience of readers. In the event of any differences between the English and Armenian versions, the Armenian will prevail.

Contents

Location: Republic of Armenia

Legal form: Foundation

Main activity: The nature of the organization's activity is presented in Note 1

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INDEPENDENT AUDITOR'S 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 of 31 December 2023, and the statements of comprehensive income and change in net assets and 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 2023, 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 - Scope of Audit

The Organization's financial statements for the year ended 31 December 2022 were audited by another auditor, who expressed an unmodified opinion on those statements on 1 August 2023.

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.

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.

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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.

"BDO Armenia" CJSC

1 August 2024

Vahagn Sahakyan, FCCA

Managing Partner

"AYB" EDUCATIONAL FOUNDATION
Statement of financial position
For the year ended 31 December 2023 (AMD'000)

	Note	31.12.2023	31.12.2022 Restated*	01.01.2022
ASSETS				
Non-current assets				
Property and equipment and intangible assets	4	5,525	13,303	15,459
Right-of use assets	5	9,426	21,030	32,633
Prepayments for non-current assets		-	-	1,178
Deferred tax assets	6	2,440	2,651	-
		17,391	*36,984*	*49,270*
Current assets				
Inventories	7	802	12,494	27,771
Accounts receivable	8	14,460	15,856	28,941
Term deposits		102,602	125,725	111,915
Cash	9	17,929	53,016	82,666
		135,793	*207,091*	*251,293*
TOTAL ASSETS		*153,184*	*244,075*	*300,563*

LIABILITIES				
Non-current liabilities				
Lease liabilities	10	-	11,127	24,177
Grants related to assets	11	138,885	127,053	4,755
Long-term borrowings		86,742	112,613	1,097
		225,627	***250,793***	***30,029***
Current liabilities				
Lease liabilities	10	11,127	13,050	10,937
Short-term borrowings		-	-	115,383
Trade and other payables	12	52,715	92,077	37,122
Grants related to income		-	-	25,153
		63,842	***105,127***	***188,595***
TOTAL LIABILITIES		***289,469***	***355,920***	***218,624***
Net assets				
Accumulated gain/(loss)		(136,285)	(111,845)	(81,939)
TOTAL NET ASSETS AND LIABILITIES		***(136,285)***	***(111,845)***	***(81,939)***

The financial statements were signed by the management of Ayb Educational Foundation on 1 August 2024. The accompanying notes form an integral part of these financial statements.

*Restatement of prior periods is provided in Note 22.

Gohar Hovhannisyan
Executive Director

Hayk Poghosyan
Head of Financial Department

"AYB" EDUCATIONAL FOUNDATION

Statement of comprehensive income

As of 31 December 2023 (AMD'000)

	Note	31.12.2023	31.12.2022 Restated *
Contribution income	13	366,776	305,820
Contract revenue	14	206,809	198,067
Other income		3,502	4,416
		577,087	**508,303**
Program expenses	15	(475,314)	(514,727)
Service expenses	16	(131,844)	(218,743)
Other expenses		(1,073)	-
Profit/(loss) from operating activities		**(31,144)**	**(225,167)**
Finance income		4,778	5,213
Finance costs		(1,900)	(3,157)
Profit/(loss) from exchange differences, net		4,037	26,420
Profit/(loss) before tax		***(24,229)***	***(196,691)***
Income tax reimbursement/(expense)	17	(211)	2,907
(Loss)/profit for the year		***(24,440)***	***(193,784)***
Other comprehensive income		-	-
Total comprehensive income for the year		***(24,440)***	***(193,784)***
Net assets at the beginning of the year		***(111,845)***	***(81,939)***
Net assets at the end of the year		***(136,285)***	***(111,845)***

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Executive Director

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Head of Financial Department

"AYB" EDUCATIONAL FOUNDATION
Statement of cash flows
For the year ended 31 December 2023 (AMD'000)

	31.12.2023	31.12.2022
		Restated *
Cash flows from operating activities		
Cash receipts from customers	185,221	241,708
Grants and donations received	373,662	438,340
Other cash receipts	-	285
Grants and donations given	(56,281)	(131,004)
Cash paid to suppliers	(187,865)	(193,912)
Cash paid to employees	(342,782)	(323,589)
Net cash from operating activities	**(28,045)**	**31,828**
Cash flows from investing activities		
Acquisition of property and equipment	-	(4,826)
Placement of bank deposits	(96,382)	(56,404)
Proceeds from bank deposits	123,759	23,320
Interest income received	4,778	1,520
Net cash from/(used in) investing activities	**32,155**	**(36,390)**
Cash flows from financing activities		
Lease payments	(16,436)	(15,560)
Repayment of borrowings	(25,895)	(3,596)
Net cash used in financing activities	(42,331)	(19,156)
Net increase in bank balances	(38,221)	(23,718)
Foreign exchange effect on cash	3,134	(5,932)
Bank balances at the beginning of the year	**53,016**	**82,666**
Bank balances at the end of the year	**17,929**	**53,016**

The financial statements were signed by the management of Ayb Educational Foundation on 1 August 2024. The accompanying notes form an integral part of these financial statements.

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Gohar Hovhannisyan
Executive Director

Hayk Poghosyan
Head of Financial Department

Contents

1. Background

1.1 The foundation and its activity

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,
- Oktagon LLC.

The Board of Trustees of the Foundation consists of five members:

- Aram Pakhchanyan,
- Davit Pakhchanyan,
- Karo Sargsyan,
- Tigran Harutyunyan
- Hakob Momjyan

The average number of employees of the Foundation during 2023 was 31 employees (2022: 63 employees).

The legal address of the Foundation is 11/11 Tbilisyan Highway, Yerevan 0052, Republic of Armenia.

2. Summary of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

2.2 Basis of measurement

The financial statements have been prepared on 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 Significant accounting estimates and judgments

Estimates and judgments of the Foundation are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual experience may differ from those estimates and assumptions.

In the reporting year, there are no 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.

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 2023.

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

a) New and revised standards and interpretations

The new or amended standards presented below will not have a significant impact on the Foundation's financial statements:

- Deferred tax relating to assets and liabilities arising from a single transaction (Amendments to IAS 12);
- Amendments to IFRS 17 "Insurance Contracts";
- *Accounting policy disclosures (Amendment to IAS 1 and IFRS Practice Statement 2);*
- *Definition of accounting estimates (IAS 8 amendment).*

b) New standards and amendments to IFRSs issued but not yet effective

The new standards, interpretations and amendments presented below, which have not yet entered into force, will not have a significant impact on the Foundation's future financial statements:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures).

3. 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 404.79 drams for 1 US dollar as of 31 December 2023 (31 December 2022: 393.57 drams for 1 US dollar). 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:

Fixture, fittings and literature	-	3-5 years
Vehicles and equipment	-	5-10 years
Computer equipment	-	3-10 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 10 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 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.

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.

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

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

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

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 trade receivables which is presented within other expenses. A summary of the Foundation's financial assets by category is given in note 18.

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 provided borrowings, term deposits, cash and cash equivalents, trade and most other receivables 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". Instruments within the scope of IFRS 9 requirements included borrowings provided and term deposits measured at amortized cost, trade receivables 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.

Trade and other receivables

The Foundation makes use of a simplified approach in accounting for trade and other 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, 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 trade 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 19 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 trade and other payables. A summary of the Foundation's financial liabilities by category is given in note 18.

Trade and other payables

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

3.8 Cash and cash equivalents

Cash and bank balances include bank account balances and cash in transit.

For the purpose of the statement of cash flows, cash equivalents are 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.

Grants related to non-depreciable assets are recognized as income over the period that bear the cost of meeting the obligations for which the grants have been received.

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.

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 obligations 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 it compensates corresponding expenses for which it was 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 and equipment

AMD'000

	Computer and equipment	Motor vehicles	Fixture, fittings and literature	Intangible assets	Total
As of 1 January 2022	**38,103**	**24,444**	**27,659**	**12,406**	**102,612**
Additions	4,404	-	1,287	-	5,691
Disposals	(4,886)	(19,256)	(54)	-	(24,196)
as of 31 December 2022	**37,621**	**5,188**	**28,892**	**12,406**	**84,107**
Additions	2,925	-	-	-	2,925
Disposals	(17,408)	(1,239)	(25,197)	(5,074)	(48,918)
Internal movement	500	142	(642)		-
as of 31 December 2023	**23,638**	**4,091**	**3,053**	**7,332**	**38,114**
Accumulated depreciation					
As of 1 January 2022	**34,589**	**18,704**	**24,664**	**7,348**	**85,305**
Annual depreciation	1,942	1,097	562	1,330	4,931
Disposals	(4,765)	(14,613)	(54)	-	(19,432)
as of 31 December 2022	**31,766**	**5,188**	**25,172**	**8,678**	**70,804**
Annual depreciation	5,009	79	1,301	1,154	7,543
Disposals	(17,298)	(1,219)	(23,636)	(3,605)	(45,758)
Internal movement	500	22	(522)		-
as of 31 December 2023	**19,977**	**4,070**	**2,315**	**6,227**	**32,589**
Carrying amount					-
as of 31 December 2022	**5,855**	**-**	**3,720**	**3,728**	**13,303**
as of 31 December 2023	**3,661**	**21**	**738**	**1,105**	**5,525**

The cost of fully depreciated property and equipment as of 31 December 2023 was 42,035 thousand drams (as of 31 December 2022: 59,456 thousand drams).

5. Right-of-use assets

	Office spaces
	AMD'000
Cost	
as of 31 December 2022	40,260
Additions	-
as of 31 December 2023	40,260
Accumulated depreciation	
as of 31 December 2022	19,230
Charge for the year	11,604
as of 31 December 2023	30,834
Carrying amount	
as of 31 December 2022	**21,030**
as of 31 December 2023	**9,426**

6. Deferred tax asset

	31.12.2023	(Credited)/ charged to profit or loss	31.12.2022
	AMD'000	AMD'000	AMD'000
Allowance for unused leave	2,440	(211)	2,651
	2,440	**(211)**	**2,651**

7. Inventories

	31.12.2023	31.12.2022
	AMD'000	AMD'000
Raw and materials	490	10,044
Other	312	2,450
	802	**12,494**

8. Accounts receivable

	31.12.2023 AMD'000	31.12.2022 AMD'000
Financial assets		
Accounts receivable	8,749	137
	8,749	137
Non-financial assets		
Advances and prepayments	5,711	10,996
Prepaid taxes	-	4,723
	14,460	**15,856**

9. Cash

	31.12.2023 AMD'000	31.12.2022 AMD'000
Bank accounts	17,929	53,016
	17,929	**53,016**

10. Lease liabilities

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

	31.12.2023 AMD'000	31.12.2022 AMD'000
Current	11,127	13,050
Non-current	-	11,127
	11,127	**24,177**

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	1	1

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

Interest expense for the year ended 31 December 2023, which has been accrued to lease liabilities, makes 1,900 thousand drams and is included in finance costs.

Future minimum lease payments at 31 December 2023 are as follows:

AMD'000	31.12.2023	31.12.2022
Within one year		
Lease payments	11,633	14,950
Finance charges	(506)	(1,900)
	11,127	**13,050**
In the second year	-	
Lease payments	-	11,634
Finance charges	-	(507)
	-	11,127
Net present value	**11,127**	**24,177**

11. Grants related to assets

	2023	2022
	AMD'000	AMD'000
Balance at the beginning of the year	**127,053**	**4,755**
Received	8,747	33,640
Recognition of income from grant	-	(4,239)
Reclassification from grant related to income	-	93,921
Gain/(loss) from exchange rate	3,085	(1,024)
Balance at the end of the year	**138,885**	**127,053**

12. Trade and other payables

	31.12.2023	31.12.2022
	AMD'000	AMD'000
Trade payables	10,398	14,508
Trade payables to employees	15,270	35,747
Advances received	10,112	31,766
Taxes and liabilities payable	10,863	10,056
Other payables	6,072	-
	52,715	**92,077**

13. Income from donations

Income from donations was generated from funds received free of charge from legal entities and individuals without the requirement of fulfillment of conditions.

14. Contract revenue

	31.12.2023 AMD'000	31.12.2022 AMD'000
Revenue from trainings	165,378	160,172
Revenue from organizing of competitions	9,204	15,230
Other	32,227	22,665
	206,809	**198,067**

15. Program expenses

	31.12.2023 AMD'000	31.12.2022 AMD'000
Employee compensation expenses	282,824	270,762
Donations	67,663	166,132
Educational process development costs	68,941	12,522
Depreciation and amortization expense	25,091	21,174
Lease expenses	13,612	14,463
Other	17,183	29,674
	475,314	**514,727**

16. Service expenses

	31.12.2023 AMD'000	31.12.2022 AMD'000
Employee compensation expenses	87,903	147,729
Educational and other materials	40,294	62,705
Other expenses	3,647	8,309
	131,844	**218,743**

17. Income tax (expense)/reimbursement

	31.12.2023 AMD'000	31.12.2022 AMD'000
Deferred tax (expense)/reimbursement	(211)	2,907
Current tax expense	-	-
	(211)	**2,907**

18. 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.

18.1 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.

Inventories

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Provision for expected credit losses of trade receivables

The Foundation uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Foundation's historical observed default rates. The Foundation will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. The impact of forecast economic conditions in the determination of ECL was not significant. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Foundation's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Foundation's trade receivables is disclosed in note 19 (b).

19. Financial instruments

19.1 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.

19.2 Categories of financial instruments

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

Financial assets

	31.12.2023 AMD'000	31.12.2022 AMD'000
Financial assets measured at amortized cost		
Trade receivables	8,749	137
Term deposit	102,602	125,725
Cash and cash equivalents	17,929	53,016
	129,280	**178,878**

Financial liabilities

	31.12.2023 AMD'000	31.12.2022 AMD'000
Financial liabilities held at amortized cost		
Trade payables	10,398	14,508
	10,398	**14,508**

20. 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 Foundation does not actively engage in the trading of financial assets for speculative purposes nor does it write options. 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 denominated in foreign currency.

Foreign currency denominated financial assets which expose the Foundation to currency risk are disclosed below:

As of 31.12.2023, the assets/(liabilities) denominated in foreign currency are as follows:

Foreign currency items	USD	GBP	AED	Total
Financial assets				
Cash	4,365	-	-	4,365
Trade and other receivables	933			933
Term deposit	101,602			101,602
	106,900			***106,900***
Accounts payable	(6,070)	(89)	(336)	(6,495)
	(6,070)	**(89)**	**(336)**	**(6,495)**
Net result	**100,830**	**(89)**	**(336)**	**100,405**

Sensitivity analysis

As of December 31, a reasonably possible strengthening/weakening of the AMD exchange rate against the US dollar would have affected the measurement of financial transactions denominated in foreign currency and profit or loss in the amounts presented below. The analysis assumes that all other variables, particularly interest rates, would remain constant and does not take into account the impact of forecasted sales and purchases.

As of December 31, the Central Bank of Armenia has set the following exchange rates for the US dollar, euro, and ruble:

	31.12.2023 AMD	31.12.2022 AMD	Strengthening/weakening of AMD %
Exchange rate of 1 US dollar	404.79	393.57	2.85
Exchange rate of 1 Euro	447.90	420.06	6.62
Exchange rate of 1 ruble	4.50	5.59	(19.50)

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, term deposits, trade and other receivables and provided borrowings.

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 students. The Foundation's policy is to deal only with credit worthy counterparties.

The Foundation's exposure to credit risk is influenced mainly by the individual characteristics of each student. However, management also considers the factors that may influence the credit risk of the Foundation's student base, including the default risk of Armenian industry and country, particularly in the currently deteriorating economic circumstances.

Trade receivables

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

In measuring the expected credit losses, the trade 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.

The expected loss rates are based on the payment profile for services before 31 December 2023 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. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 90 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:

2023	**Interest-free**	**Fixed interest rate liabilities**	**Total**
Weighted average effective interest rate		11%	
Less than 2 months	12,112	2,492	14,604
3 months to 1 year	13,556	8,635	22,191
1-5 years	86,742	-	86,742
	112,410	**11,127**	**123,537**

2022	**Interest-free**	**Fixed interest rate liabilities**	**Total**
Weighted average effective interest rate		11%	
Less than 3 months	30,586	2,492	33,078
3 months to 1 year	19,669	8,806	28,475
1-5 years	112,613	12,879	125,492
	162,868	**24,177**	**187,045**

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

21. Contingencies

21.1 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 property, 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.

21.2 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.

21.3 Related parties

The Foundation's related parties include its founders, members of the Board of trustees, key management personnel, and companies under common control, as described below.

21.4 Control relationships

The Foundation is controlled by the Board of Trustees, as described in Note 1.

21.5 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:

AMD'000

Transactions	**Year ended December 31, 2023**	**Year ended December 31, 2022**
Board of Trustees and Founders		
Proceeds from grants	33,577	42,464
Expenses	979	-
Companies under common control		
Provision of services	7,192	4,597
Proceeds from grants	-	127,521
Grants given	60,871	93,964
Repayment of borrowings	25,895	-
Key management personnel		
Salaries and bonuses	24,284	22,772

AMD'000	31.12.2023	31.12.2022
Balances		
Companies under common control		
Borrowings	85,891	111,786
Trade and other receivables	600	50
Trade and other payables	6,072	-
Key management personnel		
Trade and other payables	637	3,021

22. Correction of a material error of prior periods

Following the issuance of the audited financial statements for the year ended December 31, 2022, the Foundation discovered a material misstatement related to the initial recognition of grants and donations received, adjustments to prior years' bank balances and inventories.

During 2023, as a result of the detection of errors of previous years, the Foundation restated the financial statements of the previous year in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors", applying a retrospective adjustment.

A reconciliation of the restated financial statements as of December 31, 2022 and January 1, 2023 is presented below:

Statement of financial position

AMD'000	As of December 31, 2022 (before restatement)	increase/ (decrease)	As of January 1, 2023
Assets			
Non-current assets			
Property and equipment and intangible assets	11,455	1,848	13,303
Right-of use assets	21,030	-	21,030
Deferred tax assets	-	2,651	2,651
	32,485	**4,499**	**36,984**
Current assets			
Inventories	33,642	(21,148)	12,494
Accounts receivable	22,203	(6,347)	15,856
Term deposits	106,186	19,539	125,725
Bank balances	76,987	(23,971)	53,016
	239,018	**(31,927)**	**207,091**
Total assets	**271,503**	**(27,428)**	**244,075**
Non-current liabilities		-	
Lease liabilities	11,127	-	11,127
Grants related to assets	516	126,537	127,053
Long-term borrowings	826	111,787	112,613
	12,469	**238,324**	**250,793**
Current liabilities			
Lease liabilities	13,050	-	13,050

Short-term borrowings	115,383	(115,383)	-
Trade and other payables	72,569	19,508	92,077
Grants related to income	111,898	(111,898)	-
	312,900	**(207,773)**	**105,127**
Total liabilities	**325,369**	**30,551**	**355,920**
Net assets		-	
Accumulated result	**(53,866)**	**(57,979)**	**(111,845)**
Total net assets and liabilities	**271,503**	**(27,428)**	**(111,845)**

Statement of comprehensive income

	As of December 31, 2022 (before restatement)	increase/ (decrease)	As of December 31, 2022
			Restated*
Contribution income	380,191	74,371	305,820
Contract revenue	201,719	3,652	198,067
Other income	7,119	2,703	4,416
	589,029	**80,726**	**508,303**
Program expenses	(505,647)	9,080	(514,727)
Service expenses	(177,642)	41,101	(218,743)
Profit/(loss) from operating activity	**(94,260)**	**130,907**	**(225,167)**
Finance income	4,098	(1,115)	5,213
Finance costs	(3,157)	-	(3,157)
Profit/(loss) from exchange differences, net	(50,291)	(76,711)	26,420
Profit/(loss) before tax	**(143,610)**	**53,081**	**(196,691)**
Income tax reimbursement/(expense)	-	-	2,907
(Loss)/profit for the year	**(143,610)**	**53,081**	**(193,784)**
Other comprehensive income	-		-
Total comprehensive income for the year	**(143,610)**	**53,081**	**(193,784)**
Net assets at the beginning of the year	**89,744**	**171,683**	**(81,939)**
Net assets at the end of the year	**(53,866)**	**57,979**	**(111,845)**