Consolidated Financial Statements and Independent Auditor's Report

Foundation for Armenian Science and Technology

31 December 2023

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Grant Thornton

Independent auditor's report

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To the Board of Trustees of

Foundation for Armenian Science and Technology

Opinion

We have audited the consolidated financial statements of Foundation for Armenian Science and Technology and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as of 31 December 2023, and the consolidated statement of activities, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2023, and of its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 comparative consolidated financial statements of the Group as of and for the year ended 31 December 2022 were audited by another auditor, whose auditor's report dated 30 June 2023 expresses an unmodified opinion on those financial statements.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Chief Executive Officer

Emil Vassilyan, FCCA

Engagement Partner

21 May 2024

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Consolidated statement of financial position

In thousand drams

	Note	As of 31 December 2023	As of 31 December 2022
Assets			
Non-current assets			
Property and equipment	4	218,383	191,643
Intangible assets		2,851	4,151
Deferred tax asset		1,612	-
		222,846	195,794
Current assets			
Assets included in disposal group classified as discontinued	14	14,761	-
Inventories		3,665	4,079
Accounts receivable		677	4,628
Prepayments	5	29,775	7,053
Bank balances	6	53,359	322,975
		102,237	338,735
Total assets		325,083	534,529
Net assets and liabilities			
Accumulated result		26,373	237,610
		26,373	237,610
Non-current liabilities			
Lease liability	7	74,269	-
Financial liabilities from SAFE agreements		-	30,008
Endowment funds	8	102,741	164,620
		177,010	194,628
Current liabilities			
Liabilities included in disposal group classified as discontinued	14	33,292	
Restricted funds	9	1,733	5,010
Endowment funds	8	34,507	30,739
Lease liability	7	18,672	-
Accounts payable and provisions	10	33,496	66,542
		121,700	102,291
Total equity and liabilities		325,083	534,529

The consolidated financial statements were approved on 20 May 2024 by:

Armen Orujyan

Chief Executive Officer

Armine Sahakyan

Representative of the outsourced accounting Company

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 10 to 27.

Consolidated statement of activities

In thousand drams	Note	Year ended 31 December 2023	Year ended 31 December 2022
Incoming resources from restricted funds	9	8,458	13,855
Incoming resources from unrestricted funds	9	707,790	895,782
Incoming resources from endowment funds	8	71,111	86,456
Other income		22,617	87,285
Administrative expenses	11	(372,113)	(361,695)
Project related expenses	12	(420,879)	(501,873)
Fundraising expenses	13	(219,185)	(208,500)
Other operating expenses		-	(7,275)
Operating profit/(loss)		(202,201)	4,035
Interest expense		(12,135)	(3,990)
Profit/(loss) on foreign exchange translation		925	(11,606)
Loss before income tax		(213,411)	(11,561)
Income tax recovery		1,612	-
Loss for the year from continuing operations		(211,799)	(11,561)
Profit for the year from discontinued operations	14	562	-
Loss for the year		(211,237)	(11,561)

The consolidated statement of activities is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 10 to 27.

Consolidated statement of changes in net assets

In thousand drams	Accumulated result
as of 1 January 2022	249,171
Loss for the year	(11,561)
as of 31 December 2022	237,610
Loss for the year	(211,237)
as of 31 December 2023	26,373

The consolidated statement of changes in net assets is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 10 to 27.

Consolidated statement of cash flows

In thousand drams	Note	Year ended 31 December 2023	Year ended 31 December 2022
Cash flows from operating activities			
Cash receipts from grants and donations		730,983	943,623
Cash receipts from services provided		23,220	84,976
Cash paid as donations		(150,238)	(47,647)
Cash paid to suppliers and employees		(677,728)	(811,465)
Taxes paid other than income tax		(119,588)	(85,170)
Other expense		(5,217)	-
Net cash from operating activities of discontinued operations	14	2,619	-
Net cash from/(used in) operating activities		(195,949)	84,317
Cash flows from investing activities			
Acquisition of property and equipment		(34,269)	(48,925)
Acquisition of intangible assets		(16)	(1,772)
Investment in term deposits		-	(60,684)
Repayment of term deposits		-	59,231
Net cash used in investing activities of discontinued operations	14	(10,285)	-
Net cash used in investing activities		(44,570)	(52,150)
Cash flows from financing activities			
Payment of lease liabilities		(23,835)	(11,642)
Net cash used in financing activities		(23,835)	(11,642)
Net increase/(decrease) in cash and bank balances		(264,354)	20,525
Foreign exchange effect on cash		830	(11,401)
Cash and bank balances at the beginning of the year		322,975	313,851
Cash and bank balances at the end of the year		59,451	322,975
Cash and bank balances included in disposal group	14	(6,092)	-
Cash and bank balances from continuing operations		53,359	322,975

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 10 to 27.

Notes to the consolidated financial statements

1 Nature of operations and general information

Foundation for Armenian Science and Technology (the "Foundation") is the parent Company in the Group. It was incorporated in the Republic of Armenia on 20 June 2017 as a not-for-profit organization and was set up in accordance with regulations of the Republic of Armenia.

The Founders of the Group are as follows:

- RWZ foundation;
- AYB educational foundation;
- Arthur Alaverdian;
- Luys cultural, scientific, educational foundation;
- Noubar Boghos Afeyan.

The Board consists of 4 members. The average number of employees of the Group during 2023 was 32 employees (2022: 27 employees).

The Foundation is conceived as a comprehensive platform to foster the technological and scientific breakthrough in Armenia and beyond. Foundation aims to revive the Armenia's strong science, technology, engineering and mathematics traditions, establishing a favorable regime for the innovative environment, fostering science and technology education, and actively developing a venture capital ecosystem. One of the most pivotal tasks of Foundation is to engage tech and scientific communities in raising the profile of Armenia as a hub for technological and scientific discoveries and developments.

The Foundation's address is Hakob Hakobyan str., 3 Building, Yerevan, 0033, Republic of Armenia.

On 30 October 2020 the Foundation has founded a subsidiary Advanced Solutions Center CJSC (the "Subsidiary") with 100% ownership. The Subsidiary is a Venture Builder Company. The main activity performed by the subsidiary is provisions of services, alienation of goods, research, and development in the fields of artificial intelligence and data science, computational behavioral research, life sciences, advanced materials and robotics. The subsidiary has fully owned subsidiary Denovo Sciences CJSC, which is an IT start-up Company.

The consolidated financial statements include the following subsidiaries as of 31 December 2023 and 31 December 2022:

Subsidiary	Ownership %	Country	Date of incorporation	Industry	Date of acquisition
Advanced Solutions Center CJSC	100%	Armenia	30 October 2020	Venture builder	30 October 2020
Denovo Sciences CJSC	100%	Armenia	18 November 2020	IT start-up	18 November 2020

During the reporting year the Board of Trustees decided to liquidate the subsidiaries Advanced Solutions Center CJSC and Denovo Sciences CJSC without successor. As a result, these subsidiaries are reflected in these financial statements as discontinued operations.

Business environment

The changes in political and economic environment and the development of the legal, tax and legislative systems in Armenia have continuing nature. The stability and development of the Armenian economy largely depends on these changes. The government has brought a renewed commitment to good governance, including anticorruption efforts, transparency, and accountability.

The situation in the Republic of Armenia has intensified as a result of the war unleashed by the Republic of Azerbaijan. Despite the ceasefire agreement, the consequences of the war on Armenia's economy, both in the short and long term, are still uncertain.

In 2023 the political situation in Armenia continued to remain relatively unstable, the consequences of the 44-day Artsakh War continue to have a significant impact on the country's overall economy. In September 2023 the forced deportation of around 120,000 ethnic Armenians living in Artsakh to the Republic of Armenia, caused further economic and political disruptions. As a result of the unstable political situation, the periodic closure of international roads, and short-term ceasefire violations, it is difficult to clearly predict the economic impact on the Group's operations.

The conflict broken out on 24 February 2022 in Ukraine is evolving rapidly significantly impacting the whole world. The United States and the European countries have imposed severe sanctions against the Russian Federation. 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 the escalation of those sanctions had a radical effect on the economy and financial markets of the Republic of Armenia. The immediate global implications were higher inflation, lower growth, and some disruption to financial markets as deeper sanctions take hold.

The conflict in Ukraine caused thousands of Russians and Ukrainians to relocate to the Republic of Armenia. This included not only individuals but also businesses that were established and operated in those countries. This resulted in increased inflows of foreign currency into the Armenian market, which led to a significant appreciation of the Armenian dram relative to the US dollar and Euro. On the other hand, the Central Bank of Armenia did not take any measures to weaken the Armenian national currency. During the reporting period, the stability of the exchange rate was noticed, therefore, the management does not expect that there will be a further appreciation of the Armenian dram relative to the US dollar and Euro. However, economic and political factors in the Republic of Armenia, as well as the ongoing conflict in Ukraine, may have a negative impact on the Group's financial stability, the full consequences of which are difficult to predict at this time.

Management has reviewed the impact of these circumstances on the Group's ability to continue as a going concern for the foreseeable future and has concluded that financing of the Group's projects mainly comes from the US, projects are of continuing nature targeted at future technologies and their implementation in the Armenian education system and therefore, the above impact on the current financial statements is not considered material.

Management considers that the above events may not have a material impact on the valuation of the Group's assets, or the ability to continue as a going concern for the foreseeable future. The future of current economic situation and government actions are difficult to predict, and management's current expectations and estimates may differ from actual results. These financial statements do not reflect the possible future impact of the above on the Group's operations.

2 Basis of preparation

2.1 Statement of compliance

The consolidated 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 Group operates on a going concern basis.

2.2 Basis of measurement

The consolidated 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 Group's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Group.

These consolidated financial statements are presented in Armenian drams (unless otherwise stated), since management believes that this currency is more useful for the users of these consolidated 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 consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates and the original estimates and assumptions will be modified as appropriate in the year in which circumstances change.

2.5 Adoption of new and revised standards

In the current year the Group has adopted all 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.

New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2023

New standards and amendments described below and applied for the first time in 2023 did not have a material impact on the annual consolidated financial statements of the Group:

Standard	Title of Standard or Interpretation	
IFRS 17	*Amendments to IFRS 17 Insurance Contracts including the Extension of the Temporary Exemption from Applying IRFS 9 (Amendments to IFRS 4)*	*1 January 2023*
IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*	*1 January 2023*
IFRS 17	*Initial application of IFRS 17 and IFRS 9 – Comparative information (Amendment to IFRS 17)*	*1 January 2023*
IAS 8	*Definition of Accounting Estimates (Amendments to IAS 8)*	*1 January 2023*
IAS 1	*Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)*	*1 January 2023*

IAS 12	*International Tax Reform – Pillar Two Model Rules* *(Amendments to IAS 12)*	*1 January 2023*
IFRS for SMEs	*International Tax Reform – Pillar Two Model Rules (Amendments to the IFRS for SMEs Standard)*	*1 January 2023*

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

At the date of authorization of these consolidated 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 Group.

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

Management does not anticipate a material impact on the Group's consolidated 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
IAS 1	*Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*	*1 January 2024*
IFRS 16	*Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*	*1 January 2024*
IAS 1	*Non-current Liabilities with Covenants (Amendments to IAS 1)*	*1 January 2024*
IAS 7 and IFRS 7	*Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*	*1 January 2024*
IAS 21	*Lack of Exchangeability (Amendments to IAS 21)*	*1 January 2025*

3 Summary of material accounting policies

3.1 Basis of consolidation

The Group's financial statements consolidate those of the parent Company and all its subsidiaries as of 31 December 2023. All subsidiaries have a reporting date of 31 December.

All transactions and balances between companies are eliminated on consolidation, including unrealized gains and losses on transactions between the Group companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

3.2 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

3.3 Foreign currencies

Foreign currency transactions

In preparing the consolidated 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 and 447.90 drams for 1 euro as of 31 December 2023 (31 December 2022: 393.57 drams for 1 US dollar and 420.06 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).

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

3.4 Property and equipment

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

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.

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 average useful lives are as follows:

Machinery and Equipment	- 5-8 years
Vehicles	- 10 years
Office equipment	- 5-8 years
Other	- 5-8 years.
Leasehold improvement	Shorter of useful life and the term of underlying lease

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted as appropriate, at each financial year.
Costs related to repairs and maintenance are charged when incurred and included in other expenses, unless they qualify for capitalization.
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in income or expense in the year the asset is derecognized.

3.5 Intangible assets

Intangible assets, which are acquired by the Group 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 generally estimated from 1 to 5 years. The useful life of the intangible asset is calculated since the asset becomes ready to use. The amortization ends on earlier of when the intangible asset is classified as held for sale or when the intangible asset is derecognized.

3.6 Right of use assets

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At lease commencement date, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the substance, fixed lease payments or a change in the assessment to purchase the underlying asset.

3.7 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.

3.8 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group 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 Group's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

A summary of the Group's financial assets by category is given in note 16.2.

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 Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables. A summary of the Group's financial liabilities by category is given in note 16.2.

Trade and other payables

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

3.9 Net assets

Net assets of the Group are not distributable to its founders neither in ordinary course of business not at liquidation.

Accumulated result includes all current and prior period retained profits.

3.10 Grants and donations

Grants are received for particular purpose and are not available for general use of the Group. These grants are not recognized until there is reasonable assurance that the Group 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 endowment funds 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 with no future related costs are recognized in profit or loss in the period in which they become receivable.

Unrestricted donations are available for the general purposes as set out in Group's governing documents. Therefore, donations classified as unrestricted funds are recognized as revenue when become receivable.

3.11 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3.12 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 Group during the accounting period, the Group 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 Group 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 Group 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 Group has no realistic alternative but to make the payments.

3.13 Revenue

Revenue is recognized in manner that depicts the pattern of transfer of goods and services to customers. The amount recognized is reflected at the amount to which the entity expects to be entitled in exchange for those goods and services. In order to meet the core principle of revenue recognition the Group applies the following five-step model:

- Identify the contracts with a customer;
- Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct;
- Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer;
- Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract;
- Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

4 Property and equipment

In thousand drams	Machinery and equipment	Vehicles	Office equipment	Other	Rights of use assets	Total
Cost						
as of 1 January 2022	149,609	19,898	73,603	26,101	177,536	446,747
Additions	24,887	-	667	23,371	-	48,925
Disposals	-	-	-	-	(34,400)	(34,400)
as of 31 December 2022	174,496	19,898	74,270	49,472	143,136	461,272
Additions	200	-	7,904	14,033	104,984	127,121
Disposals	(47,513)	-	-	(9,816)	-	(57,329)
Transferred to disposal group	(140)			(9,153)	-	(9,293)
as of 31 December 2023	127,043	19,898	82,174	44,536	248,120	521,771
Accumulated depreciation						
as of 1 January 2022	50,866	8,030	22,152	10,679	130,038	221,765
Charge for the year	21,705	1,978	9,340	4,734	44,507	82,264
Eliminated on disposal	-	-	-	-	(34,400)	(34,400)
as of 31 December 2022	72,571	10,008	31,492	15,413	140,145	269,629
Charge for the year	21,594	1,978	7,195	15,246	23,989	70,002
Eliminated on disposal	(28,798)	-	-	(2,549)	-	(31,347)
Transferred to disposal group	(140)	-	-	(4,756)	-	(4,896)
as of 31 December 2023	65,227	11,986	38,687	23,354	164,134	303,388
Carrying amount						
as of 31 December 2022	101,925	9,890	42,778	34,059	2,991	191,643
as of 31 December 2023	61,816	7,912	43,487	21,182	83,986	218,383

The cost of fully depreciated property and equipment, that is still in use is drams 179,565 thousand (31 December 2022: drams 36,431 thousand). The right-of-use assets include a leased office, where the main office of the Group is located. The remaining useful life of the leased office as of 31 December 2023 is 48 months. As of the reporting date, there are no restrictions on the Group's property and equipment.

5 Prepayments

In thousand drams	As of 31 December 2023	As of 31 December 2022
Prepayments for insurance	2,311	2,347
Prepayments for performance works	26,861	1,900
Other prepayments	603	2,806
	29,775	7,053

6 Bank balances

In thousand drams	As of 30 December 2023	As of 31 December 2022
Bank accounts denominated in:		
AMD	3,375	5,941
USD	48,200	317,034
EUR	1,784	-
	53,359	322,975

Bank accounts are held in an Armenian bank with a long-term counterparty risk rating of BB-.

7 Leases

The carrying amounts of the Group's lease liabilities and the movements during the year are set out below:

In thousand drams	2023	2022
Balance at the beginning of year	-	10,476
Contract modification	104,983	
Lease payments	(24,177)	(11,642)
Finance charges	12,135	1,166
Balance at the end of year	92,941	-

The weighted average incremental borrowing rate applied to lease liability recognized at the date of initial application is 12%.

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

In thousand drams	As of 31 December 2023	As of 31 December 2022
Current	18,672	-
Non-current	74,269	-
	92,941	-

The Group has leases for the office building. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the consolidated 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 Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term.

Lease payments not recognized as a liability

The Group has elected not to recognize a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

8 Endowment funds

In thousand drams	2023	2022
Balance at the beginning of year	195,359	230,866
Transferred from restricted and unrestricted funds	13,000	50,949
Income recognized	(71,111)	(86,456)
Balance at the end of year	137,248	195,359

9 Restricted and unrestricted funds

Restricted income funds are received for particular purpose of donations and are not available for general use of the Group. Income recognized during 2023 in respect of grants and donations received was drams 716,248 thousand (2022: drams 909,637 thousand). The amount of restricted income funds that will be used in future for its particular designated purpose as at 31 December 2023 equals drams 1,733 thousand (2022: drams 5,010 thousand).

Resources received from restricted and unrestricted funds comprise:

In thousand drams	2023	2022
Armenian companies	54,553	627,506
Foreign companies	601,447	227,411
Individuals	74,981	93,149
	730,981	948,066

10 Accounts payable and provisions

In thousand drams	As of 31 December 2023	As of 31 December 2022
Trade payables	4,841	36,378
Provision for unused vacation days	27,056	23,910
Tax payables	-	3,084
Other	1,599	3,170
	33,496	66,542

Trade payables are mainly denominated in Armenian drams, non-interest bearing and are generally on 30-60 days term. The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe.

The movements in provision for unused vacation days were as follows:

In thousand drams	2023	2022
Balance at the beginning of year	23,910	40,749
Accrued during the year	16,734	33,951
Extinguished	(13,588)	(50,790)
Balance at the end of year	27,056	23,910

11 Administrative expenses

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Staff costs	136,716	102,578
Depreciation and amortization	48,895	86,000
Business trip and representative expenses	63,480	52,004
Office supplies and utility costs	17,921	19,131
Professional services	21,904	15,717
Banking and insurance expenses	12,879	10,507
Apartment rent	13,968	9,312
Conversion costs	5,407	7,539
Website Maintenance and Online Platforms	17,583	7,020
Public Relations and Marketing Expenses	6,635	6,196
Post and communication	3,642	3,582
Other	23,083	42,109
	372,113	361,695

12 Project related expenses

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Staff costs	172,612	294,801
Depreciation and amortization	17,585	-
Professional fees and contract services	27,509	66,275
Event organization expenses	2,584	44,564
Funds donated to third party	165,318	34,547
Travelling expenses	9,259	16,024
Public Relations and Marketing Expenses	14,893	9,000
Laboratory supplies and equipment	7,481	7,847
Other	3,638	28,815
	420,879	501,873

13 Fundraising expenses

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Staff costs	149,764	85,199
Event organization expenses	29,494	51,914
Professional fees and contract services	2,649	30,932
Public Relations and Marketing Expenses	4,276	13,390
Travelling expenses	26,708	12,831
Printing	-	7,332
Other	6,294	6,902
	219,185	208,500

14 Discontinued operations

Operating profit of Advanced Solutions Center CJSC until the date of classification as disposal group are summarized as follows:

In thousand drams	For the year ended 31 December 2023
Other income	10,443
Administrative expenses	(8,748)
Operating profit	1,695
Interest expense	(3,283)
Loss before income tax	(1,588)
Income tax recovery	2,150
Profit for the year from discontinued operations	562

Carrying amount of assets and liabilities included in the disposal group are summarized as follows:

In thousand drams	As of 31 December 2023
Non-current assets	
Property and equipment	4,397
Intangible assets	67
Deferred tax assets	2,303
Investments in joint ventures	81
Current assets	
Bank balances	6,092
Accounts receivable and prepayments	1,821
Assets classified as discontinued	14,761
Non-current liabilities	
Financial liabilities from SAFE agreements	33,292
Liabilities classified as discontinued	33,292

As of the date of these financial statements the management of the Foundation has not made a final decision on how the assets of the disposal group will be utilized.

Cash flows generated by Advanced Solutions Center CJSC for the reporting periods under review until its disposal are as follows:

In thousand drams	Year ended 31 December 2023
Operating activities	2,619
Investing activities	(10,285)
Financing activities (intercompany borrowings)	11,155
Cash and bank balances at the beginning of the year	2,603
Cash flows from discontinued operations	(6,092)

15 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.

15.1 Critical accounting estimates

The Group 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

The Group assesses the remaining useful lives of items of property and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These estimates may have a material impact on the amount of the carrying values of property and equipment recognized in endowment funds.

Leases

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest, that the Group would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects that the Group would have to pay which requires estimation when no observable rates are available. The Group estimates the incremental borrowing rate using observable inputs such as market interest rates, when available and is required to make certain entity-specific estimates.

15.2 Significant judgments in applying accounting policies

Determining the lease term of contracts with renewal options

The Group determines the lease term as the ono-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

16 Financial instruments

16.1 Material 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.

16.2 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 2023	As of 31 December 2022
Amortized cost		
Trade and other receivables	677	4,628
Cash and cash equivalents	53,359	322,975
Total financial assets	54,036	327,603

Financial liabilities

In thousand drams	As of 31 December 2023	As of 31 December 2022
Amortized cost		
Lease liability	92,941	-
Financial liabilities from SAFE agreements	-	30,008
Other trade payables	31,897	60,288
Total financial liabilities	124,838	90,296

17 Financial risk management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk, credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimize operational and legal risks.

Financial risk factors

a) Market risk

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from both its operating and investing activities.

Foreign currency risk

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

Most of the Group's transactions are carried out in Armenian drams. Exposures to currency exchange rates arise from the donations received in foreign currency, which are primarily denominated in US dollars.

The following table details the Group's sensitivity to a 10% (2022: 10%) increase and decrease in dram against US dollar. 10% (2022: 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% (2022: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar by 10% (2022: 10%) then this would have had the following impact:

In thousand drams	US dollar impact	
	2023	2022
Profit or loss	(4,769)	(31,653)

b) Credit risk

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

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

The credit risk in respect of bank balances is managed by keeping amounts only with major reputable financial institutions.

Trade receivables

The Group 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.

c) *Liquidity risk*

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

The Group'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 payments when those become due.

The following table details the Group'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 Group can be required to pay.

The table includes both interest and principal cash flows.

2023	Non-interest bearing	Finance lease liability	Total
Less than 6 months	4,841	13,298	18,139
6 months to 1 year	8,117	13,298	21,415
More than 1 years	18,939	89,178	108,117
	31,897	115,774	147,671
2022	**Non-interest bearing**	**Finance lease liability**	**Total**
Less than 6 months	36,378	-	36,378
6 months to 1 year	57,202	-	57,202
	93,580	-	93,580

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources and trade receivables. The Group's cash resources and trade receivables exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within 12 months.

18 Contingencies

18.1 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.

19 Related parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties. Management considers that the Group has appropriate procedures in place to identify and properly disclose transactions with related parties.

The Group's related parties include its parent, subsidiaries (for separate financial statements) associates and entities under common control, members of the board (refer to note 1) and key management.

19.1 Transactions with related parties

During the reporting year the Group had the following transactions with the related parties.

In thousand drams

Transactions	Year ended 31 December 2023	Year ended 31 December 2022
Donations received	71,982	285,768
Services received	2,511	-

There were no outstanding balances as of the reporting dates.

19.2 Transactions with management and close family members

Key management received the following remuneration during the year.

In thousand drams

Transactions	Year ended 31 December 2023	Year ended 31 December 2022
Salaries and bonuses	216,887	219,747
Other benefits (accommodation expenses)	13,968	9,312
Outstanding balances		
Provision for unused vacation days	12,526	10,001