

# **Foundation for Armenian Science and Technology**

## **Consolidated financial statements**

*For the year ended 31 December 2022  
together with independent auditor's report*

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## Independent auditor's report

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 subsidiary (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity 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 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of management and the Board of Trustees 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.

The Board of Trustees is 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 the Board of Trustees 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.

Ernst & Young CJSC  
Yerevan, Armenia

Partner (Assurance)

30 June 2023



Eric Hayrapetyan

**Consolidated statement of financial position****As at 31 December 2022***(in thousands of Armenian drams)*

	Notes	31 December 2022	31 December 2021
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	6	191,643	224,982
Intangible assets	7	4,151	6,115
		<b>195,794</b>	<b>231,097</b>
<b>Current assets</b>			
Cash and cash equivalents	8	322,975	313,851
Prepayments	9	7,053	16,901
Financial assets measured at FVPL		–	7,275
Accounts receivable		4,628	6,000
Inventories		4,079	3,610
		<b>338,735</b>	<b>347,637</b>
<b>Total assets</b>		<b>534,529</b>	<b>578,734</b>
<b>Non-current liabilities</b>			
Financial liabilities from SAFE agreements	11	30,008	27,184
Endowment funds	12	164,620	108,745
		<b>194,628</b>	<b>135,929</b>
<b>Current liabilities</b>			
Restricted funds	12	5,010	13,703
Endowment funds	12	30,739	122,121
Lease liability	10	–	10,476
Accounts payable	13	66,542	47,334
		<b>102,291</b>	<b>193,634</b>
<b>Total liabilities</b>		<b>296,919</b>	<b>329,563</b>
<b>Equity</b>			
Retained earnings		237,610	249,171
<b>Total equity</b>		<b>237,610</b>	<b>249,171</b>
<b>Total equity and liabilities</b>		<b>534,529</b>	<b>578,734</b>

The consolidated financial statements were authorised for issue by the Board of Trustees and signed on its behalf by:

Armen Orujyan

Founding CEO

Armine Sahakyan

Director  
"PHILIN AM" LLC

30 June 2023

The accompanying notes on pages 5 to 25 are an integral part of these consolidated financial statements.

**Consolidated statement of profit or loss and other comprehensive income****For the year ended 31 December 2022***(in thousands of Armenian drams)*

	<i>Notes</i>	<b>2022</b>	<b>2021</b>
Incoming resources from restricted funds	14	13,855	28,675
Incoming resources from unrestricted funds	14	895,782	833,008
Incoming resources from endowment funds	14	86,456	83,068
Other income	15	87,285	27,129
Administrative expenses	16	(361,695)	(468,921)
Project related expenses	17	(501,873)	(343,703)
Fundraising expenses	18	(208,500)	–
Other expenses	19	(7,275)	(40,306)
<b>Operating profit</b>		<b>4,035</b>	<b>118,950</b>
Income on initial recognition of financial liabilities	11	–	5,494
Interest expense		(3,990)	(4,926)
Net gain/(loss) on foreign exchange translation		(11,606)	(8,355)
<b>Profit before tax</b>		<b>(11,561)</b>	<b>111,163</b>
Income tax expense		–	(281)
<b>(Loss)/profit for the year</b>		<b>(11,561)</b>	<b>110,882</b>
<b>Total comprehensive income for the year</b>		<b>(11,561)</b>	<b>110,882</b>

*The accompanying notes on pages 5 to 25 are an integral part of these consolidated financial statements.*

**Consolidated statement of changes in equity****For the year ended 31 December 2022***(in thousands of Armenian drams)*

	<i><b>Total equity</b></i>
<b>Retained earnings as of 1 January 2021</b>	<b>138,289</b>
Total comprehensive income for the year	110,882
<b>Retained earnings as of 31 December 2021</b>	<b>249,171</b>
Total comprehensive income for the year	(11,561)
<b>Retained earnings as of 31 December 2022</b>	<b>237,610</b>

*The accompanying notes on pages 5 to 25 are an integral part of these consolidated financial statements.*



**Consolidated statement of cash flows****For the year ended 31 December 2022***(in thousands of Armenian drams)*

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Cash receipts from donors	943,623	910,283
Cash receipts from sale of tickets, provided trainings and sponsorships	84,976	25,955
Cash paid to suppliers and employees	(859,112)	(545,299)
Taxes paid other than income tax	(85,170)	(119,566)
<b>Net cash (used in) / from operating activities</b>	<b>84,317</b>	<b>271,373</b>
<b>Cash flows from investing activities</b>		
Investment in financial assets measured at FVPL	-	(7,275)
Purchase of property and equipment	(48,925)	(120,693)
Investment in term deposits	(60,684)	-
Repayment of term deposits	59,231	-
Purchase of intangible assets	(1,772)	(4,350)
<b>Net cash used in investing activities</b>	<b>(52,150)</b>	<b>(132,318)</b>
<b>Cash flows from financing activities</b>		
Proceeds from SAFE agreements	-	20,806
Payment of lease liabilities	(11,642)	(11,366)
<b>Net cash from financing activities</b>	<b>(11,642)</b>	<b>9,440</b>
Effect of exchange rates changes on cash and cash equivalents	(11,401)	(8,355)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>9,124</b>	<b>140,140</b>
Cash and cash equivalents at the beginning of the year	313,851	173,711
<b>Cash and cash equivalents at the end of the year</b>	<b>322,975</b>	<b>313,851</b>

The accompanying notes on pages 5 to 25 are an integral part of these consolidated financial statements.

(in thousands of Armenian drams)

## 1. Background

### a) Corporate 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:

- ▶ RVVZ Foundation;
- ▶ "AYB" Educational Foundation;
- ▶ Arthur Alaverdian;
- ▶ "Luys" cultural, scientific, educational foundation;
- ▶ Noubar Boghos Afeyan.

The Board consists of 4 members. As at 31 December 2022 the Foundation had 27 employees.

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

The Foundation consolidates the financial statements.

### b) Armenian business environment

Armenia continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government. Management believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

As a result of military operations in Ukraine, many leading countries and economic unions have announced severe economic sanctions on Russia and Belarus, including Russian banks, other entities and individuals. Since the start of the military operations, there has been a significant volatility of the Russian ruble against foreign currencies, as well as significant loss of value on the securities markets in Russia and of Russian companies listed in other markets. The situation is still unfolding, but it has already resulted in a humanitarian crisis and huge economic losses in Ukraine, Russia and the rest of the world. Ukraine and Russia are important trade partners of Armenia. It is expected that the military operations will have a significant impact on the Armenian economy. As the conflict is still waging, it is impossible to reliably assess the impact this may have on the Group's business as there is uncertainty over the magnitude of the impact on the economy in general. The Groups management is monitoring the economic situation in the current environment.

## 2. Basis of preparation

### a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

(in thousands of Armenian drams)

## 2. Basis of preparation (continued)

### b) Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram ("AMD"), which is the Group's functional currency and the currency in which these consolidated financial statements are presented. These consolidated financial statements are presented in thousands of Armenian Dram ("AMD"), and all values are rounded off to the nearest thousands, except when otherwise indicated. The official exchange rates, published by Central Bank of Armenia ("CBA") at 31 December 2022 and 31 December 2021 were 393.57 AMD and 480.14 AMD to 1 USD, respectively.

### c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis with the exception of Financial assets measured at FVPL that have been measured at fair value as disclosed in the accounting policies below.

### d) Use of estimates and judgments

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

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

Information about assumptions and estimation uncertainties that had a significant risk of resulting in a material adjustment within the next financial year and information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in Note 4.

### e) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- ▶ Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ▶ Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- ▶ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the measuring fair values is included in Note 21.

### f) New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

*(in thousands of Armenian drams)***2. Basis of preparation (continued)****f) New and amended standards and interpretations (continued)***Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases*

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

*IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

**3. Summary of significant accounting policies****Basis of consolidation**

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- ▶ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- ▶ Exposure, or rights, to variable returns from its involvement with the investee;
- ▶ The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement(s) with the other vote holders of the investee;
- ▶ Rights arising from other contractual arrangements;
- ▶ The Group's voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

*(in thousands of Armenian drams)***3. Summary of significant accounting policies (continued)****Cash and cash equivalents**

Cash and cash equivalents consist of cash at banks.

**Advance payments**

The Group receives advance payments in the scope of organised projects, which are carried at original invoice amount and generally are short term.

**Property and equipment**

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation of an asset begins when the asset is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

<i>Class</i>	<i>Useful lives in years</i>
Machinery and equipment	5-8 years
Vehicles	10 years
Office equipment	5-8 years
Other fixed assets	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-end.

Costs related to repairs and maintenance are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

When each major inspection is performed, its cost is recognized as a component in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

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 (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income or expense in the year the asset is derecognized.

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with indefinite useful lives are not amortized but tested for impairment annually either individually, or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The useful life of the intangible assets should be calculated since the asset becomes ready to use. The amortization ends on earlier of the dates:

- When the intangible asset is classified as held for sale;
- When the intangible asset is derecognized.

*(in thousands of Armenian drams)***3. Summary of significant accounting policies (continued)****Intangible assets (continued)**

The terms for useful life are as follows:

<i>Class</i>	<i>Useful lives in years</i>
Software	5-8 years
Licenses	1-5 years
Other intangible assets	5-10 years

**Financial assets and liabilities**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The Group has financial assets such as cash and cash equivalents, which arise directly from its operations. Also, the Group has financial assets measured at FVTPL.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- ▶ The rights to receive cash flows from the asset have expired;
- ▶ The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- ▶ The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. IFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. The allowance for bank accounts and deposits is calculated based on bank's Long-term counterparty risk rating.

Financial liabilities are initially recognized at fair value less directly attributable transaction costs and have not been designated as 'at fair value through profit or loss'.

The Group's principal financial liabilities comprise accounts payable, financial lease liabilities and financial liabilities arising from single agreements on future equity.

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

**Leases*****The Group as a lessee******Right-of-use assets***

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). 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.

*(in thousands of Armenian drams)*

### 3. Summary of significant accounting policies (continued)

#### Leases (continued)

##### *Lease liabilities*

At the commencement date of the lease, 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 (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

##### *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-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.

#### Accounts payable and provisions

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method.

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

#### Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit or loss for the year.

#### Incoming resources

Restricted income funds are received for particular purpose and are not available for general use of the Group. These funds are initially recorded as a liability and recognized as revenue in the consolidated statement of comprehensive income as long as the Group performs obligations prescribed by restricted funds donations agreements. As a rule revenue from such donations are recognized simultaneously with related costs incurred to perform obligations. One form of restricted funds is an "Endowment fund", which provided to finance acquisition of property and equipment and intangible assets to be used in the Group's activities. Endowment Fund donations are recorded initially as a liability and recognized as revenue in the consolidated statement of comprehensive income in line with recognition of depreciation and amortization expenses for respective assets. Unrestricted income funds are available for the general purposes as set out in Group's governing documents. Therefore, donations into the Unrestricted funds are recognized as revenue when there is sufficient evidence that a promise to donate was made and received.

*(in thousands of Armenian drams)***3. Summary of significant accounting policies (continued)****Revenue recognition**

Revenue is recognized in manner that depicts the pattern of transfer of goods and services to customers. The amount recognized should reflect 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 Group applies the following five-step model:

- ▶ Identify the contract(s) 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.

**Equity**

Equity of the Group at each reporting date represents its net assets at that date and generally consists from accumulated foreign exchange gains or losses. Net assets of the Group are not distributable to its founders neither in ordinary course of business nor at liquidation.

**Expenditures**

Fees, commissions and other expenses are generally recorded on an accrual basis when the service has been provided. Expenditures are recorded based on the applicable service contracts.

**Employee benefits**

Wages, salaries, contributions to the State budget of RA, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the respective services were rendered by the employees of the Group. Employees receive pension benefits from the State pension fund of the Republic of Armenia in accordance with the laws and regulations. Contributions are made by the Group to the Government's Pension fund at the statutory rates in force during the year. Such contributions are expensed as incurred.

**Foreign currency transactions**

The consolidated financial statements are presented in Armenian dram, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to general unrestricted income funds. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

Differences between the contractual exchange rate of a transaction in a foreign currency and the exchange rate of Central Bank of Armenia on the date of the transaction are included in gains less losses from forex operations. The official CBA exchange rates as of 31 December 2022 and as of 31 December 2021 were as follows: 393.57 drams to 1 USD, 420.06 drams to 1 EUR and 5.59 drams to 1 RUR, respectively and 480.14 drams to 1 USD, 542.61 drams to 1 EUR and 6.42 drams to 1 RUR, respectively.



*(in thousands of Armenian drams)***4. Significant accounting judgements, estimates and assumptions**

In the process of applying the Group's accounting policies, management used its judgments and made estimates in determining the amounts recognized in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

**Useful life 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 – estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR 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 IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

**5. Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

*IFRS 17 Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- ▶ Separate the insurance coverage component and apply IFRS 17 to it;
- ▶ Apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Group is currently in the process of assessing the impact of adopting IFRS 17 on its financial statements.

(in thousands of Armenian drams)

## 5. Standards issued but not yet effective (continued)

### *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- ▶ What is meant by a right to defer settlement;
- ▶ That a right to defer must exist at the end of the reporting period;
- ▶ That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- ▶ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

### *Definition of Accounting Estimates - Amendments to IAS 8*

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group's financial statements.

### *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group accounting policy disclosures.

The Group is currently assessing the impact of the amendments.

(in thousands of Armenian drams)

## 6. Property and equipment

Property and equipment and related accumulated depreciation consist of the following:

	Machinery and equipment	Vehicles	Leasehold improvement	Office equipment	Right-of-use assets	Other	Total
<b>Cost</b>							
Balance as at 1 January 2021	54,460	19,898	137,429	54,941	34,400	26,277	327,405
Additions	96,324	-	5,707	18,662	-	-	120,693
Disposals and write-offs	(1,175)	-	-	-	-	(176)	(1351)
Balance as at 31 December 2021	149,609	19,898	143,136	73,603	34,400	26,101	446,747
Additions	24,887	-	-	667	-	23,371	48,925
Disposals and write-offs	-	-	-	-	(34,400)	-	(34,400)
Balance as at 31 December 2022	174,496	19,898	143,136	74,270	(0)	49,472	461,272
<b>Accumulated depreciation</b>							
Balance as at 1 January 2021	(28,027)	(6,040)	(71,318)	(15,250)	(17,200)	(6,946)	(144,781)
Depreciation charge	(23,389)	(1,990)	(32,920)	(6,902)	(8,600)	(3,792)	(77,593)
Disposals and write-offs	550	-	-	-	-	59	609
Balance as at 31 December 2021	(50,866)	(8,030)	(104,238)	(22,152)	(25,800)	(10,679)	(221,765)
Disposals and write-offs	-	-	-	-	34,400	-	34,400
Depreciation charge	(21,705)	(1,978)	(35,907)	(9,340)	(8,600)	(4,734)	(82,264)
Balance as at 31 December 2022	(72,571)	(10,008)	(140,145)	(31,492)	0	(15,413)	(269,629)
<b>Net book value</b>							
Balance as at 31 December 2021	98,743	11,868	38,898	51,451	8,600	15,422	224,982
Balance as at 31 December 2022	101,925	9,890	2,991	42,778	(0)	34,059	191,643

The gross book value of fully depreciated property and equipment that is still in use is AMD 36,431 thousand as at 31 December 2022 (2021: AMD 32,349 thousand).

(in thousands of Armenian drams)

**7. Intangible assets**

Intangible assets and related accumulated amortization consist of the following:

	<i>Software</i>	<i>Web-site development</i>	<i>Licenses</i>	<i>Total</i>
<b>Cost</b>				
Balance as at 1 January 2021	5,718	2,798	2,233	10,749
Additions	3,764	83	503	4,350
Write-offs	(2,537)	–	(1,246)	(3,783)
<b>Balance as at 31 December 2021</b>	<b>6,945</b>	<b>2,881</b>	<b>1,490</b>	<b>11,316</b>
Additions	1,758	14	–	1,772
Write-offs	–	–	–	–
<b>Balance as at 31 December 2022</b>	<b>8,703</b>	<b>2,895</b>	<b>1,490</b>	<b>13,088</b>
<b>Accumulated amortization</b>				
Balance as at 1 January 2021	(2,711)	73	(1,325)	(3,963)
Amortization charge	(3,776)	(87)	(1,158)	(5,021)
Write-offs	2,537	–	1,246	3,783
<b>Balance as at 31 December 2021</b>	<b>(3,950)</b>	<b>(14)</b>	<b>(1,237)</b>	<b>(5,201)</b>
Amortization charge	–	–	–	–
Write-offs	(3,324)	(343)	(69)	3,736
<b>Balance as at 31 December 2022</b>	<b>(7,274)</b>	<b>(357)</b>	<b>(1,306)</b>	<b>(8,937)</b>
<b>Net book value</b>				
Balance as at 31 December 2021	2,995	2,867	253	6,115
<b>Balance as at 31 December 2022</b>	<b>1,429</b>	<b>2,538</b>	<b>184</b>	<b>4,151</b>

The gross book value of fully amortized intangible assets that is still in use is AMD 3,863 thousand as at 31 December 2022 (2021: AMD 3,578 thousand).

**8. Cash and cash equivalents**

Cash and cash equivalents comprise the following:

	<i>Currency</i>	<b>31 December 2022</b>	<b>31 December 2021</b>
Current accounts in banks	USD	317,034	204,154
Current accounts in banks	AMD	5,941	109,165
Current accounts in banks	EUR	–	532
Current accounts in banks	RUR	–	–
<b>Cash and cash equivalents</b>		<b>322,975</b>	<b>313,851</b>

Current accounts are held at Ameriabank CJSC, which has a Long-term counterparty risk rating of Ba3.

**9. Prepayments**

Prepayments comprise the following:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Prepayments for insurance	2,347	2,663
Prepayments for performance works	1,900	4,850
Prepayments for catering sales event	–	6,243
Advance payments to employees	–	902
Other prepayments	2,806	2,243
<b>Total prepayments</b>	<b>7,053</b>	<b>16,901</b>

*(in thousands of Armenian drams)***10. Lease liability**

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

	<b>2022</b>	<b>2021</b>
<b>As of 1 January</b>	<b>10,476</b>	<b>19,532</b>
Interest expense	1,166	2,310
Payments	(11,642)	(11,366)
<b>As of 31 December</b>	<b>-</b>	<b>10,476</b>

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

The Group had total cash outflows for leases of AMD 11,642 thousand in 2022 (2021: AMD 11,366 thousand).

**11. Financial liabilities from SAFE agreements**

In 2020 the Subsidiary concluded single agreements on future equity (SAFE) with eight individuals. The duration of contracts is three years. During this period, depending on the events specified in the agreement, the investor will either receive a right to preference shares in the Subsidiary or the prepayment will be refunded. During 2022 no prepayments were made (2021: AMD 20,806 thousand). The balance of financial liabilities from SAFE agreements comprises the amortized cost of received prepayments as at 31 December 2022 in the amount of AMD 30,008 thousand (2021: AMD 27,184 thousand).

The following table shows a reconciliation of the opening and closing balance of the amortized cost of financial liabilities from SAFE agreements:

	<b>2022</b>	<b>2021</b>
<b>As at 1 January</b>	<b>27,184</b>	<b>9,256</b>
Proceeds from issue	-	20,806
Income on initial recognition	-	(5,494)
Accrued Interest expense	2,824	2,616
<b>As at 31 December</b>	<b>30,008</b>	<b>27,184</b>

The weighted average incremental borrowing rate applied to financial liabilities from SAFE agreements at the date of initial recognition is 11%.

**12. Restricted and unrestricted funds**

Restricted income funds are received for particular purpose of donations and are not available for general use of the Group. The amount of restricted income funds that will be used in future for its particular designated purpose as at 31 December 2022 equals AMD 5,010 thousand (2021: AMD 13,703 thousand).

One form of a restricted fund is an "endowment". This fund represents restricted donations invested into acquisition of property and equipment and intangible assets for the use in ordinary activities of the Group. The amount of endowment funds as at 31 December 2022 equals AMD 195,359 thousand (2021: AMD 230,866 thousand).

Unrestricted income funds are available for the general purposes of donations as set out in the Group's governing documents. The general fund is free to use for any of the donation's purposes.

Loss from exchange differences from income funds received for the year ended 31 December 2022 equals AMD 11,401 thousand (2021: AMD 8,355 thousand gain).

*(in thousands of Armenian drams)***13. Accounts payable**

Accounts payable and provisions comprise the following:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Trade payables	36,378	3,328
Unused vacation reserve	23,910	40,749
Tax payables	3,084	814
Other	3,170	2,443
<b>Total accounts payable</b>	<b>66,542</b>	<b>47,334</b>

Accounts payable are mainly denominated in AMD, are non-interest bearing and are generally on 30-60 days term.

The movements in unused vacation reserve were as follows:

	<b>Unused vacations</b>
<b>At 1 January 2021</b>	<b>18,354</b>
Accrued during the year	40,536
Extinguished	(18,141)
<b>At 31 December 2021</b>	<b>40,749</b>
Accrued during the year	33,951
Extinguished	(50,790)
<b>At 31 December 2022</b>	<b>23,910</b>

**14. Incoming resources from donations**

Resources received from donations comprise:

	<b>2022</b>	<b>2021</b>
Armenian companies	627,506	431,244
Individuals	93,149	318,843
Foreign companies	227,411	190,212
<b>Total resources received from donations</b>	<b>948,066</b>	<b>940,299</b>

Resources recognized as incoming resources from unrestricted donations in the consolidated statement of comprehensive income for 2022 in the amount of AMD 895,782 thousand (2021: AMD 833,008 thousand) represent the donations used during the reporting period. Resources recognized as incoming resources from restricted donations in the statement of comprehensive income for 2022 in the amount of AMD 13,855 thousand (2021: AMD 28,675 thousand) represent the donations used during the reporting period. Resources recognized as incoming resources from endowment donations in the consolidated statement of comprehensive income for 2022 equal AMD 86,456 thousand (2021: AMD 83,068 thousand).

**15. Other income**

Other income comprises the following:

	<b>2022</b>	<b>2021</b>
Income from provided services	85,669	15,686
Income from gratuitous assets	–	9,688
Income from compensation of material damage	–	1,640
Other	1,616	115
<b>Total other income</b>	<b>87,285</b>	<b>27,129</b>

*(in thousands of Armenian drams)***16. Administrative expenses**

Administrative expenses comprise the following:

	<b>2022</b>	<b>2021</b>
Staff costs	102,578	245,798
Depreciation and amortization	86,000	82,614
Business trip and representative expenses	52,004	46,726
Office supplies and utility costs	19,131	5,563
Professional services	15,717	11,552
Banking and insurance expenses	10,507	10,847
Apartment rent	9,312	14,326
Conversion costs	7,539	4,190
Web site maintenance	7,020	1,527
Marketing expenses	6,196	3,788
Post and communication	3,582	3,449
Loss on property and equipment write-off	-	742
Other	42,109	37,799
<b>Total administrative expenses</b>	<b>361,695</b>	<b>468,921</b>

**17. Project related expenses**

Project related expenses comprise the following:

	<b>2022</b>	<b>2021</b>
Staff costs	294,801	285,898
Professional fees and contract services	66,275	-
Event organization expenses	44,564	1,187
Funds donated to third party	34,547	-
Travelling expenses	16,024	-
Marketing expenses	9,000	1,415
Laboratory supplies and equipment	7,847	-
Fellowship expenses	-	38,117
Other	28,815	17,086
<b>Total project related expenses</b>	<b>501,873</b>	<b>343,703</b>

**18. Fundraising expenses**

Fundraising related expenses comprise the following:

	<b>2022</b>	<b>2021</b>
Staff costs	85,199	-
Event organization expenses	51,914	-
Professional fees and contract services	30,932	-
Marketing expenses	13,390	-
Travelling expenses	12,831	-
Printing	7,332	-
Other	6,902	-
<b>Total project related expenses</b>	<b>208,500</b>	<b>-</b>

Since March 2022 the Group has been raising funds by organizing events. Previously the Group raised funds with the help of founders and board members, hence it is a new type of expense occurred during 2022.

*(in thousands of Armenian drams)***19. Other expenses**

Other expenses comprise the following:

	2022	2021
Funds donated to third party	-	30,602
Loss from Financial assets measured at FVPL	7,275	9,704
<b>Total other expenses</b>	<b>7,275</b>	<b>40,306</b>

**20. Commitments, contingencies and operating risks****Operating environment of the Group**

Armenia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

**Legal proceedings**

During the year, the Group was not involved in court proceedings arising in the ordinary course of its activity. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have any effect on the result of operations or financial position of the Group, and which have not been accrued or disclosed in these consolidated financial statements.

**21. Financial risk management**

The Group's principal financial assets comprise cash and cash equivalents and financial assets measured at FVPL. The main purpose of these financial instruments is to use them for Group's donation activity and implementation of projects. The Group has also financial liabilities such as accounts payable, which arise directly from its operations, financial lease liabilities and financial liabilities arising from single agreements on future equity.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Trustees monitors each of these risks which are summarized below.

**Interest rate risk**

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

**Foreign exchange risk**

The Group attracts significant foreign currency denominated donations from donors therefore it is exposed to foreign exchange risk in that respect. In the period from 1 January 2022 till 31 December 2022 the Group had significant currency transactions regarding payments for services and equipment.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Group's profit (due to changes in the carrying amount of monetary assets and liabilities).

2022	Change in rate, (%)	Effect on profit
US dollar	12.6	39,883
Euro	-	-
US dollar	(12.6)	(39,883)
Euro	-	-
2021	Change in rate, (%)	Effect on profit
US dollar	5	10,506
Euro	8.5	84
US dollar	(5)	(10,506)
Euro	(8.5)	(84)



(in thousands of Armenian drams)

**21. Financial risk management (continued)****Foreign exchange risk (continued)**

The Group does not have any arrangements to mitigate foreign exchange risks of the Group's operations and is exposed to foreign exchange risk to the extent of open currency position.

**Credit risk**

The Group cooperates only with recognized, creditworthy third parties.

The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of respective financial instruments.

**Liquidity risk**

The Group conducts ongoing monitoring of risk of losses resulting from its inability to fulfil its financial obligations in full due to shortage of liquidity assets.

*Analysis of financial liabilities by remaining contractual maturities*

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December 2022 and 2021 based on contractual undiscounted repayment obligations.

	<i>Demand and less than 1 month</i>	<i>From 1 to 3 months</i>	<i>From 4 to 12 months</i>	<i>More than 1 year</i>	<i>Total</i>
<b>As of 31 December 2022</b>					
Lease liabilities	-	-	-	-	-
Financial liabilities from SAFE agreements	-	-	33,292	-	<b>33,292</b>
Accounts payables	-	36,378	23,910	-	<b>60,288</b>
<b>Total undiscounted financial liabilities</b>	<b>-</b>	<b>36,378</b>	<b>57,202</b>	<b>-</b>	<b>93,580</b>
	<i>Demand and less than 1 month</i>	<i>From 1 to 3 months</i>	<i>From 4 to 12 months</i>	<i>More than 1 year</i>	<i>Total</i>
<b>As of 31 December 2021</b>					
Lease liabilities	1,881	1,881	7,859	-	<b>11,621</b>
Financial liabilities from SAFE agreements	-	-	-	33,292	<b>33,292</b>
Accounts payables	-	3,328	-	-	<b>3,328</b>
<b>Total undiscounted financial liabilities</b>	<b>1,881</b>	<b>5,209</b>	<b>7,859</b>	<b>33,292</b>	<b>48,241</b>

**22. Fair value of financial instruments**

Fair values of cash and cash equivalents and accounts payable approximate their carrying amounts due to their short maturity.

Fair value hierarchy for financial instruments measured at value, which approximates their fair values as at 31 December 2022:

	<i>Carrying value</i>	<i>Total fair value</i>	<i>Level 1</i>	<i>Level 3</i>
<b>Assets for which fair values are disclosed</b>				
Cash and cash equivalents	322,975	322,975	322,975	-
	<i>Carrying value</i>	<i>Total fair value</i>	<i>Level 1</i>	<i>Level 3</i>
<b>Liabilities for which fair values are disclosed</b>				
Lease liability	-	-	-	-
Financial liabilities from SAFE agreements	30,008	30,008	-	30,008
Other financial payables	60,288	60,288	-	60,288

(in thousands of Armenian drams)

**22. Fair value of financial instruments (continued)**

Fair value hierarchy for financial instruments measured at value, which approximates their fair values as at 31 December 2021:

	<i>Carrying value</i>	<i>Total fair value</i>	<i>Level 1</i>	<i>Level 3</i>
<b>Assets for which fair values are disclosed</b>				
Cash and cash equivalents	313,851	313,851	313,851	–
	<i>Carrying value</i>	<i>Total fair value</i>	<i>Level 1</i>	<i>Level 3</i>
<b>Liabilities for which fair values are disclosed</b>				
Lease liability	10,476	10,476	–	10,476
Financial liabilities from SAFE agreements	27,184	27,184	–	27,184
Other financial payables	3,328	3,328	–	3,328

**23. Related party transactions**

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.

The Group's Founders are disclosed in Note 1. Other related parties represent entities related to the Founders. Related parties may enter into transactions which unrelated parties might not. Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. The management considers that the Group has appropriate procedures in place to identify and properly disclose transactions with related parties.

The volumes of related party transactions, related expenses and income for the period from 1 January 2022 till 31 December 2022 are as follows:

	<i>Key management personnel</i>	<i>Other related parties</i>
<b>Consolidated statement of comprehensive income</b>		
Administrative and other expenses (Staff costs)	219,747	–
<b>Consolidated statements of cash flows</b>		
Cash receipts from donors	87,716	198,052

The volumes of related party transactions, related expense and income for the period from 1 January 2021 till 31 December 2021 are as follows:

	<i>Key management personnel</i>	<i>Other related parties</i>
<b>Consolidated statement of financial position</b>		
Cash and cash equivalents	–	313,851
<b>Consolidated statement of comprehensive income</b>		
Administrative and other expenses (Staff costs)	270,413	–
<b>Consolidated statements of cash flows</b>		
Cash receipts from donors	318,451	413,577

The Group enters into transactions with related parties under terms equivalent to those that prevail in arm's length transactions. Most of related party transactions relate to charity donations received. Outstanding balances at year-end are unsecured and settlement occurs in cash.

(in thousands of Armenian drams)

**24. Changes in liabilities arising from financing activities**

	<i>Note</i>	<i>Lease liability</i>	<i>Financial liabilities from SAFE agreements</i>	<i>Total liabilities from financing activities</i>
<b>Carrying amount at 1 January 2021</b>		<b>19,532</b>	<b>9,256</b>	<b>28,788</b>
Payment of principal portion of lease liability	11	(9,056)	–	(9,056)
Interest paid on lease liability	11	(2,310)	–	(2,310)
Proceeds from SAFE agreements		–	20,806	20,806
Other		2,310	(2,878)	(568)
<b>Carrying amount at 31 December 2021</b>		<b>10,476</b>	<b>27,184</b>	<b>37,660</b>
Payment of principal portion of lease liability	11	(11,642)	–	(11,642)
Interest accrued on lease liability	11	1,166	–	1,166
Accrued interest expense	12	–	2,824	2,824
Proceeds from SAFE agreements	12	–	–	–
Other		–	–	–
<b>Carrying amount at 31 December 2022</b>		<b>–</b>	<b>30,008</b>	<b>30,008</b>

The "Other" line includes the effect of income on initial recognition of liabilities arising from SAFE agreements, the related accrued interest, and accrued interest on lease liability.

**25. Subsequent events**

During 2023 the board of directors decided to liquidate "Advanced Solutions Center" CJSC and "Denovo Sciences" CJSC without a successor.