

**CITY OF SMILE
CHARITABLE FOUNDATION**

FINANCIAL STATEMENTS

IN ARMENIAN DRAMS

31 December 2022

YEREVAN 2023

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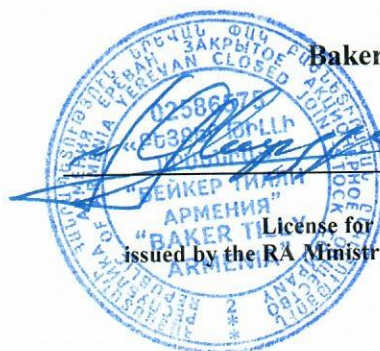
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26 June 2023
N 022313

CONFIRMED BY

**Baker Tilly Armenia CJSC
General Director**

V. Gevorgyan



License for Audit engagement No 054,
issued by the RA Ministry of Finance and Economy

INDEPENDENT AUDITOR'S OPINION

**To Board of Trustees of
“City of Smile” Charitable Foundation**

Opinion

We have audited the accompanying financial statements of “City of Smile” Charitable Foundation (the Foundation) which are comprised of the Statement of Financial Position as at 31 December, 2022, the Statement of Profit or Loss and other Comprehensive Income, and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2022, and of its comprehensive income and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other matter

The financial statements of the Foundation for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on April 22, 2022.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a

going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

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

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

Auditor

M. Hovsepyan



26.06.2023

Statement of Financial Position
31 December 2022

		<i>AMD ths.</i>	
	<i>Notes</i>	<i>2022</i>	<i>2021</i>
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	4	4,250	1,252
<i>Total non-current assets</i>		<u>4,250</u>	<u>1,252</u>
<i>Current assets</i>			
Inventory		138	306
Trade and other receivables		731	143
Bank deposits	5	420,529	256,340
Cash and cash equivalents	6	11,684	46,663
<i>Total current assets</i>		<u>433,082</u>	<u>303,452</u>
TOTAL ASSETS		<u><u>437,332</u></u>	<u><u>304,704</u></u>
EQUITY			
Accumulated profit		8,975	4,225
<i>Total equity</i>		<u>8,975</u>	<u>4,225</u>
LIABILITIES			
<i>Non-current liabilities</i>			
Grants related to assets	7	4,250	1,252
<i>Total non-current liabilities</i>		<u>4,250</u>	<u>1,252</u>
<i>Current liabilities</i>			
Trade and other payables	8	44,399	25,431
Grants related to income	9	377,372	272,806
Account payable regarding profit tax		2,336	990
<i>Total current liabilities</i>		<u>424,107</u>	<u>299,227</u>
TOTAL EQUITY AND LIABILITIES		<u><u>437,332</u></u>	<u><u>304,704</u></u>

Ester Demirtshyan

Director

26.06.2023

Lilit Sargsyan

Chief Accountant

Statement of Profit or Loss and other Comprehensive Income
For the year ended 31 December 2022

		<i>AMD ths.</i>	
	<i>Notes</i>	<i>2022</i>	<i>2021</i>
Revenue		5,264	6,217
Cost of sales		(317)	(716)
Gross Profit		4,947	5,501
Income from grants	10	337,383	304,964
Other income		-	40
Project expenses in respect of beneficiaries	11	(282,592)	(224,583)
Employee benefits		(40,291)	(76,839)
Business travel and representation expenses		(2,135)	(3,352)
Audit and consultancy		(3,600)	(4,852)
Marketing and advertising expenses		(2,033)	(892)
Banking and insurance		(470)	(540)
Depreciation/amortisation		(367)	(376)
Postage and telecommunication expenses		(186)	(109)
Office and utilities expenses		(602)	(308)
Other expenses		(16,377)	(6,318)
Interest income		21,639	13,236
Net gain / (loss) from currency exchange differences		(8,229)	(298)
Profit before taxes		7,087	5,274
Profit tax expense		(2,337)	(1,049)
Total comprehensive income		4,750	4,225

Statement of Cash Flows
For the year ended 31 December 2022

	<i>AMD Ths.</i>	
	<i>2022</i>	<i>2021</i>
<i>Cash flows from operating activity</i>		
Profit of the period	4,750	4,225
<i>Adjustments:</i>		
Depreciation and amortization	367	376
Financial income	(21,639)	(13,236)
Change in reserves	(40)	1,106
Net gain from currency exchange differences	8,229	297
	<u>(8,333)</u>	<u>(7,232)</u>
<i>Cash flows before changes in working capital</i>	(588)	59
(Increase) / decrease in accounts receivable	19,008	1,193
(Decrease) / increase in accounts payable	99,830	76,396
(Decrease) / increase in grants related to income	<u>109,917</u>	<u>70,416</u>
<i>Net cash flows from operating activity</i>	2,998	-
Grants received in respect of fixed assets	(3,365)	(1,080)
Payments for fixed assets acquisition	(164,189)	(80,000)
Short term deposits involved / repaid	21,625	13,2536
Interest received	<u>(142,931)</u>	<u>(67,844)</u>
<i>Cash flows from investing activity</i>	(33,014)	2,572
<i>Net cash flows</i>	(1,965)	(450)
<i>Effect of changes in foreign exchange rates on cash and cash equivalents</i>	46,663	44,541
Cash and cash equivalents at the beginning of the period	<u>11,684</u>	<u>46,663</u>
Cash and cash equivalents at the end of the period		

Notes to the Financial Statements
For the year ended 31 December 2022

1. NATURE OF OPERATIONS

“City of Smile” Charitable Foundation (hereafter, “the Foundation”) is a non-commercial non-membership organization created on the basis of the founders’ voluntary property contributions, which operates in accordance with the Constitution of the Republic of Armenia, the RA Civil Code, the RA Law "On Foundations", and other legal acts.

The Foundation was registered with the central body of the RA State Register of Legal Entities as at December 3, 2014; Registration number: 222.160.837674.

The main purpose of the Foundation’s activity is provision of modern and free medical care for cancer patients in Armenia.

The governing body of the Foundation consists of Board of Trustees and Director.

Board consists of 12 (twelve) members

The Foundation operates throughout the whole territory of the Republic of Armenia and has no branches.

The Foundation is located at the address RA, Yerevan, Nersisyan 7, # 212.

The average number of the Foundation’s employees in 2022 was 4 people (2021: 4 people).

Business environment in Armenia

The Foundation operates in Armenia. Therefore, the activities of the Foundation are influenced by the Armenian economy and financial markets typical for a developing market. The legal, tax and legislative systems continue to develop, but they are subject to different interpretations and frequent changes, which, along with other legal and financial obstacles, creates additional complications for entities operating in Armenia. The financial statements reflect the Foundation's assessment of the impact of the business environment on the Foundation's operations and financial situation. The future business environment may differ from the management's assessment.

2. BASIS OF PREPARATION

Statement of Compliance

The Financial Statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS).

Measurement Basis

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

Functional and presentation currency

The Foundation’s functional currency is Armenian Dram (AMD), the national currency of the Republic of Armenia, which reflects the economic substance of the events and circumstances underlying the Foundation’s activity.

Armenian Dram is the presentation currency for these financial statements. Financial information is presented in Armenian Drams rounded to the nearest thousand.

Use of assessments and reasoning

For preparation of these financial statements in conformity with IFRS, the management has made a number of judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from these estimates.

The estimates and corresponding assumptions are regularly revised. The revised accounting estimates are recognized in the period of the revision and in the future periods affected.

Going Concern

These financial statements have been prepared based on the going concern principle which assumes that the assets are realized and the obligations are settled in the normal course of business.

3. ACCOUNTING POLICY

Basis of preparation

These financial statements have been prepared on the initial cost basis except for the following. The initial cost is usually based on the fair value of the consideration for the goods and services.

Functional and presentation currency

The Foundation's functional currency is defined as the currency of the economic environment in which the Foundation operates. The functional currency of the Foundation is the Armenian Dram.

Adoption of new and revised standards

At the date of authorization of these financial statements, a number of new standards, amendments and interpretations to the existing Standards have been published which are not yet effective. The Foundation did not early adopted any of these pronouncements.

Management plans to adopt applicable new standards and interpretations in the period immediately following their effective date.

Management does not anticipate a material impact on the Company's financial statements from these Amendments, which are presented below:

- *Reference to the Conceptual Framework (Amendments to IFRS 3);*
- *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*

Grants and donations

Government grants are assistance provided by the state (state and local self-governing bodies and international organizations) in the form of resource transfers to the Foundation in exchange for compliance with certain conditions related to the operational activities of the Foundation in the past or future. Other grants received from private, non-state institutions and charitable organizations are accounted for as state grants based on the principle of similarity.

Grants are not recognized unless there is reasonable assurance that the Foundation will meet all conditions attached to them and that the grants will be received.

Grants related to assets

Grants related to assets are those whose main condition is that the Foundation buys, builds or otherwise acquires non-current assets. They are recognized in the statement of financial position as deferred revenue within non-current liabilities and are recognized in profit or loss on a systematic basis over the useful life of the relevant asset.

Grants received in the form of a non-monetary asset are recognized in the statement of financial position at nominal value, or in the absence of such value, at estimated fair value, and are recognized in profit or loss on a systematic basis over the useful life of the relevant asset or along with the benefits arising from the consumption of that asset.

Grants related to income

Grants that are not classified as relating to assets are considered as grants related to income. They are recognized in profit or loss as other income on a systematic basis over the periods when the Foundation recognizes their respective expenditures as expenses.

Profit tax

Current taxes regarding profit tax for the current and previous periods, in the amount of their unpaid part, are recognized as a liability. If the amount already paid for the current and previous periods exceeds the amount payable for those periods, the excess is recognized as an asset.

Current tax liabilities (assets) for current and prior periods are measured at the amount expected to be paid to the budget (reimbursed from the budget) using tax rates (and tax laws) that were in effect at the end of the reporting period.

Current tax assets and liabilities are offset by the Foundation only when

- there is a legally enforceable right to offset the recognized amounts;
- it intends either to settle current tax liabilities and assets on a net basis or to realize the asset and to repay the liability simultaneously.

The most part of the Foundation's income is donated assets, which are not subject to profit tax, and the respective expenses are not subject to deduction. Due to these and other considerations, no deferred taxes were recognized by the Foundation in the current and previous years.

Property and equipment

The cost of an item of PPE is recognized as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

An item of PPE is recorded at the initial value less accumulated depreciation, taking into account the accumulated impairment loss. Cost comprises purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Recognition of costs in the carrying amount of an item of property and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The initial cost includes professional fees and, in the case of a qualifying asset, capitalized borrowing costs. Depreciation of these assets is also calculated when they become ready to be used for their intended purpose.

Gain or loss on disposal or write-off of a fixed asset is determined as the difference between the net proceeds from the sale of the asset (if any) and the carrying amount. Gain or loss arising from the derecognition of a unit of property and equipment is included in profit or loss when the unit is derecognised.

The cost of replacing a component of a separately accounted unit of property and equipment that is accounted for as a separate asset is recognized in the carrying amount when the cost is incurred and if the recognition criteria are met. The carrying amount of those replaced parts is derecognised. Maintenance and repair costs are recognized in profit or loss in the period in which they are incurred.

Depreciation is charged to the statement of comprehensive income for the year on a straight line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for their purposeful use, that is they are in the location and condition necessary for their use in the manner intended by management. Depreciation of an asset ceases at the earliest of the dates the asset is classified as held for sale in accordance with IFRS 5 or is included in a disposal group classified as held for sale and the asset is derecognised. When a unit of fixed assets consists of major components with different useful lives, their depreciation is calculated separately.

The estimated useful lives of fixed assets are presented below:

- Computer equipment 1 year
- Other fixed assets 5-8 years

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. As of 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. Non-monetary items the initial cost of which is recorded in a foreign currency are not retranslated.

Exchange rate differences arising from foreign currency transactions, as well as from the recalculation of monetary items denominated in foreign currency, are recognized in profit or loss.

Financial instruments

Recognition and initial measurement

A financial asset or financial liability is recognized by the Foundation in the statement of financial position only when it becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

At the time of initial recognition, loans provided or received at interest-free or below-market interest rates, long-term receivables or payables are measured at fair value rather than at nominal value or at the amount of consideration given or received at that time, which is determined by discounting the contractual future cash flows using the prevailing market interest rates for instruments of appropriate maturity and risk. The difference between the fair value determined for the initial measurement and the consideration given or received is recognized in profit or loss, except when it is part of a government grant, in which case the approaches defined in IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" are applied.

Derecognition

The Company derecognizes a financial asset only when

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset and the transfer qualifies as meeting the conditions for derecognition as set forth below.

A financial liability (or part of a financial liability) is derecognized only when it is settled, that is, when the obligation specified in the contract is fulfilled or cancelled, or the period of validity expires.

An exchange of debt instruments with significantly different terms between an existing borrower and a lender should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a significant change in the terms of an existing financial liability or part thereof (whether or not attributable to the borrower's financial difficulties) should be accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) settled or transferred to another party and the consideration paid (including any non-monetary assets transferred or liabilities assumed) is recognized in profit or loss.

Further measurement

After the initial recognition, loans, deposits, receivables and payables are measured at amortized cost using the effective interest rate method. Short-term receivables and payables are usually measured at nominal amount. Demand liabilities are measured by the demanded amount due.

A gain or loss from changes in the fair value of financial assets and financial liabilities measured at FVPL is recognized in profit or loss.

The Foundation has no investments in equity instruments (shares) of other entities.

Provisions

A provision is recognized when the Foundation has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably measured. If the effect of the value of money over time is significant, then the amount of the provision represents the present value of the expenses that, according to the expectation, will be required to settle the obligation.

The discount rate is the rate, without taking into account the effect of taxation, which reflects current market assessments of the value of money in time and the risks specific to that liability. The discount rate will not reflect the risks for which estimates of future cash flows have been adjusted.

At the end of each reporting period, reserves are reviewed and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of funds embodying economic benefits will be required to settle the liability, the provision is reversed. The reserve is used only against the expenses for which the reserve was originally recognized.

Employee benefits

Employee benefits include:

- (a) wages, salaries and bonuses;
- (b) paid absences including paid annual leaves and temporary disability benefits;
- (c) bonuses

The amount of employee benefits expected to be paid in return for service received from employees during the reporting period is recognized: (a) as a liability (accrued expense) after deducting amounts already paid, and (b) as an expense, except when inclusion of those benefits in the cost (initial value) of any asset is required or permitted by any standard. If the amount already paid exceeds the amount of benefits, the Foundation recognizes this excess as an asset (prepaid expense) to the extent that the advance payment will lead to, for example, a reduction in future payments or a refund.

The Foundation recognizes the expected expenses regarding short-term employee benefits in the form of accrued compensable absences (such as paid annual leave) when employees provide service that increases their entitlement to future compensable absences. The expected cost of accrued compensable absences is measured by the additional amount that the Foundation expects to pay as a result of unused entitlements accumulated at the end of the reporting period. The Foundation recognizes expected expenses regarding bonuses when: (a) it has a present legal or constructive obligation to make such payments as a result of past events and (b) the obligation can be reliably estimated. A present duty exists only when the Foundation has no realistic possibility of avoiding the performance of the duty.

4. PROPERTY AND EQUIPMENT

	<i>(AMD ths.)</i>		
	Machines and equipment	Other	Total
Initial value			
<i>as of 1 January 2021</i>	1,332	721	2,053
Purchases	13	1,067	1,080
<i>as of 31 December 2021</i>	1,345	1,788	3,133
Purchases	-	3,365	3,365
<i>as of 31 December 2022</i>	1,345	5,153	6,498
Accumulated Depreciation			
<i>as of 1 January 2021</i>	1,329	176	1,505
Charge for the year	5	371	376
<i>as of 31 December 2021</i>	1,334	547	1,881
Charge for the year	8	359	367
<i>as of 31 December 2022</i>	1,342	906	2,248
Carrying amount			
<i>as of 31 December 2021</i>	11	1,241	1,252
<i>as of 31 December 2022</i>	3	4,247	4,250

Bank deposits

	Currency	Maturity	Rate(%)	2022 AMD' 000	2021 AMD' 000
Deposits in RA trade banks	AMD	2023	7.45%	12,047	-
Deposits in RA trade banks	AMD	2023	6.25%	10,034	-
Deposits in RA trade banks	AMD	2023	6.45%	15,066	-
Deposits in RA trade banks	USD	2023	1%	19,691	-
Deposits in RA trade banks	AMD	2023	7.25%	10,040	-
Deposits in RA trade banks	AMD	2023	7.25%	20,016	-
Deposits in RA trade banks	AMD	2023	7.25%	15,012	-
Deposits in RA trade banks	USD	2023	2.5%	23,676	-
Deposits in RA trade banks	AMD	2023	7.45%	20,004	-
Deposits in RA trade banks	AMD	2023	7.25%	20,012	-
Deposits in RA trade banks	AMD	2023	7.45%	20,339	-
Deposits in RA trade banks	AMD	2023	6.25%	20,075	-
Deposits in RA trade banks	USD	2023	2%	19,706	-
Deposits in RA trade banks	AMD	2023	7.45%	45,294	-
Deposits in RA trade banks	USD	2023	2%	23,648	-
Deposits in RA trade banks	AMD	2023	7.25%	10,022	-
Deposits in RA trade banks	AMD	2023	7.45%	50,561	-
Deposits in RA trade banks	AMD	2023	6.45%	15,098	-
Deposits in RA trade banks	AMD	2023	6.25%	50,188	-
Deposits in RA trade banks	AMD	2022	6.45%	-	176,162
Deposits in RA trade banks	AMD	2022	6.25%	-	65,080
Deposits in RA trade banks	AMD	2022	6.65%	-	15,098
Deposits in RA trade banks	AMD	2022		420,529	256,340

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in the cash flow statement include:

	2022	2021
Bank accounts in RA Drams	6,761	10,151
Bank accounts in foreign currency	4,923	36,512
	11,684	46,663

6. GRANTS RELATED TO ASSETS

	31.12.2022	31.12.2021
Balance as at January 1	1,252	548
Reclassification of grants	3,365	1,080
Increase	3,513	-
Recognized as income in profit or loss during the year	(3,880)	(376)
Balance as at December 31	4,250	1,252

7. TRADE AND OTHER PAYABLES

	(AMD ths.)	
	31.12.2022	31.12.2021
Regarding trade debts	35,691	19,858
Regarding fixed assets	1,292	-
Regarding financial assistance	3,234	1,460
Regarding taxes and other mandatory payments	1,269	1,160
Unused leave reserve	2,871	2,910
Short term payables regarding salary	42	43
	44,399	25,431

8. GRANTS RELATED TO INCOME

	(AMD ths.)	
	31.12.2022	31.12.2021
Balance as at January 1	272,806	197,133
Grants received	441,434	381,360
Reclassification to grants related to assets	(3,365)	(1,080)
Recognized as income in profit or loss during the year	(333,503)	(304,587)
Balance as at December 31	377,372	272,806

9. INCOME FROM GRANTS

	(AMD ths.)	
	2022	2021
From grants related to income	333,503	304,588
From grants related to assets	3,880	376
	337,383	304,964

10. PROJECT EXPENSES REGARDING BENEFICIARIES

	(AMD ths.)	
	2022	2021
Medical care for cancer patients	195,792	128,892
Medicines	69,002	71,451
Food and gifts	17,798	17,726
Palliative ward renovation works	-	6,514
	282,592	224,583

11. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Assumptions and judgments are continually evaluated and are based on historical experience as well as other indicators, including expected future events, that are considered acceptable under the circumstances.

11.1 Significant accounting estimates

The Foundation makes estimates and assumptions concerning the future. These accounting estimates, as a rule, may not match the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property and equipment

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

12 FINANCIAL INSTRUMENTS

12.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.

12.2 Categories of financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

<i>Financial assets</i>	<i>(AMD ths.)</i>	
	2022	2021
Bank deposits	420,529	256,341
Cash and bank balances	11,684	46,663
	<u>432,213</u>	<u>303,004</u>
<i>Financial liabilities</i>	<i>(AMD ths.)</i>	
	2022	2021
Trade and other payables	35,691	19,858
	<u>35,691</u>	<u>19,858</u>

13. FINANCIAL RISK MANAGEMENT

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

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

The Foundation is not involved in active trading of financial assets for speculative purposes, nor does it issue options. The most significant financial risks to which the Foundation may be exposed are described below.

Financial risk factors

a) Market risk

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

Foreign currency risk

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

The Foundation does not manage exposures to foreign exchange risk.

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Foundation. The Foundation is exposed to credit risk, which mainly arises from cash held in banks.

c) Liquidity risk

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

The Foundation's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets to settle operational liabilities on time.

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

		(AMD ths.)
	2022	2021
Up to 1 month	35,691	19,858
	35,691	19,858

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

14. CONTINGENCIES

14.1 Business environment

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis.

Deterioration of economic situation of countries collaborating with the Republic of Armenia led to the shortage of money transfers from abroad, upon which the economy of Armenia is significantly dependent. Further decline in international prices of mining products, uncertainties due to possibilities of attraction of direct capital investments, inflation, may lead to deterioration of the situation of Armenian economy and of the Foundation. However, as the number of judgments and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Foundation may be affected.

Management of the Foundation believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Foundation.

14.2 Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Foundation does not have full coverage for its assets and activities interruption, or third party liability in respect of property or environmental damage arising from accidents on the Foundation's property or relating to its operations.

Until the Foundation obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Foundation's operations and financial position.

14.3 Taxes

The taxation system in Armenia is relatively new and is characterized by frequently changing legislation, which often requires interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are entitled by law to impose severe 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.

15. RELATED PARTIES

As described in Note 1, the founder of the Foundation is the Republic of Armenia represented by the Government, therefore all government bodies and agencies are related parties of the Foundation.

The Foundation's related parties also include key management and oBoard of Trustees.

15.1 Transactions with related parties

The following transactions were carried out between the Foundation and its related parties during the year with the following balances as of the reporting date.

	2022	<i>(AMD ths.)</i> 2021
<i>Key management</i>		
Salary and other benefits	13,345	11,737
	<u>13,345</u>	<u>11,737</u>