

**Financial Statements
and Independent Auditor's Report**

**“Aren Mehrabyan” Charitable
Foundation**

31 December 2022



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Independent auditor's report

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To the board members of "Aren Mehrabyan" charitable foundation

Opinion

We have audited the financial statements of "Aren Mehrabyan" charitable foundation, (the "Foundation") which comprise the statement of financial position as of 31 December 2022, and the statement of activities, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other matter

The Comparative financial statements as of and for the period ended 31 December 2021 have not been audited.

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

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

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those authorized by the legislation of the Republic of Armenia either intend 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Armen Hovhannisyan
Chief Executive Officer

Emil Vassilyan, FCCA
Engagement Partner

12 June 2023



Statement of financial position

In thousand drams	Note	As of 31 December 2022	As of 31 December 2021 (unaudited)
Assets			
<i>Non-current assets</i>			
Property and equipment	4	757	-
Deferred income tax assets		168	-
		<u>925</u>	<u>-</u>
<i>Current assets</i>			
Accounts receivable	5	4,409	2
Bank balances	6	9,821	1,432
		<u>14,230</u>	<u>1,434</u>
Total assets		<u>15,155</u>	<u>1,434</u>
Liabilities and net assets			
<i>Non-current liabilities</i>			
Grants related to assets		757	-
		<u>757</u>	<u>-</u>
<i>Current liabilities</i>			
Grants related to income	7	6,715	-
Accounts payable	8	3,421	476
Current income tax liabilities		595	-
		<u>10,731</u>	<u>476</u>
<i>Net assets</i>			
Accumulated result		3,667	958
		<u>3,667</u>	<u>958</u>
Total net assets and liabilities		<u>15,155</u>	<u>1,434</u>

The financial statements were approved on 12 June 2023 by:

Mher Mehrabyan
Director



The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 14.

Statement of activities

In thousand drams	Note	Year ended 31 December 2022	Period ended 31 December 2021 (unaudited)
Income from donations		16,721	4,527
Income from rendering of services		16,323	-
Salary expenses		(11,432)	(1,248)
Professional services		(13,523)	(1,871)
Financial support provided		-	(160)
Audit and consulting expenses		(1,200)	(150)
Depreciation and amortization		(2,444)	-
Office and utility expenses		(172)	(142)
Other expenses		(445)	(6)
Net gain/(loss) from exchange differences		(692)	8
Result before income tax		<u>3,136</u>	<u>958</u>
Income tax expense		(427)	-
Result for the year		<u><u>2,709</u></u>	<u><u>958</u></u>

The statement of activities is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 14.

Statement of changes in net assets

In thousand drams	Accumulated Result	Total
As of 11 August 2021	-	-
Result for the period (unaudited)	958	958
As of 31 December 2021 (unaudited)	958	958
Result for the year	2,709	2,709
As of 31 December 2022	3,667	3,667

The statement of changes in net assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 14.

Statement of cash flows

In thousand drams

	Year ended 31 December 2022	Period ended 31 December 2021 (unaudited)
Cash flows from operating activities		
Cash received from donations	24,193	4,527
Cash received from customers	12,523	-
Cash paid to employees and professional service providers	(13,298)	(2,322)
Cash paid to suppliers	(6,096)	(292)
Cash paid to the State Budget	(4,712)	(323)
Cash paid for financial assistance	-	(160)
Other cash payments	(328)	(6)
<i>Cash generated from operations</i>	<u>12,282</u>	<u>1,424</u>
Cash flows from investing activities		
Acquisition of fixed assets	(3,201)	-
<i>Net cash used in investing activities</i>	<u>(3,201)</u>	<u>-</u>
Net increase in bank balances	9,081	1,424
Foreign exchange effect on cash	(692)	8
Cash and bank balances at the beginning of the year	1,432	-
Cash and bank balances at the end of the year	<u><u>9,821</u></u>	<u><u>1,432</u></u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 14.

Notes to the financial statements

1 Nature of operations and general information

"Aren Mehrabyan" Charitable Foundation (the "Foundation") is a non-for-profit organization, created on the basis of voluntary monetary and in-kind contributions and without membership. The Foundation was established on August 11, 2021, by the decision of the Founders of July 30, 2021 and is regulated by the Constitution of the Republic of Armenia, the Civil Code of the Republic of Armenia, the Law of the Republic of Armenia "On Foundations", other legal acts and the Charter of the Foundation.

The Foundation was founded by Mher Mehrabyan and Satik Nairyan.

The governing bodies of the Foundation are the Board of Trustees and the Director of the Foundation. The Board of Trustees consists of 5 members appointed by the Founders by mutual agreement.

The current activities of the Foundation are managed by the director. Mher Mehrabyan is appointed director of the Foundation.

The principal goals of the Foundation are:

- Promoting interest towards natural sciences among children, students, postgraduates in Armenia and Artsakh, providing the opportunity to specialize in the specified field, by establishing scientific and educational museum-laboratories, by organizing samplings, experiments, conducting meetings, events and other means,
- Providing professional education in the field of engineering and other technical sciences for people disabled as a result of hostilities, living in Armenia and Artsakh, by organizing courses, seminars, meetings and other events and teaching languages necessary for that field, as well as in the future providing employment for these people in the specified field in Armenia and Artsakh,
- Involving young scientists living in Armenia and Artsakh in research activities of various fields,
- Stimulating the creation and development of aerospace technology in Armenia and Artsakh,
- Promoting the scientific and technological progress of Armenia and Artsakh, developing and implementing various programs for the development, improvement and efficiency of natural and technical sciences, supporting and financing of such programs.

The average number of employees of the Foundation in 2022 was 3 (in 2021: 2).

The address of the Foundation is apt. 2, 45 Bagrevand, Yerevan, Republic of Armenia, Yerevan.

Business environment

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

The Foundation's management considers its current liquidity position to be sufficient for the sustainable functioning. The Foundation monitors its liquidity position on a regular basis and intends to use appropriate liquidity position instruments, if necessary.

The conflict broke out on 24 February in Ukraine has had a significant impact around the world. The United States and the European countries have imposed severe sanctions against Russian Federation. Russian Federation is a significant trading partner of the Republic of Armenia, hence sanctions imposed on Russia as of the date of these financial statements, as well as the escalation of those sanctions may have a radical effect on the economy and financial markets of the Republic of Armenia.

In 2022, the political situation in the Republic of Armenia continues to be relatively unstable, the consequences of the 44-day Artsakh war still have a significant impact on the general and economic entities of the country. Since December 2022, the main road connecting Armenia to Artsakh remains

closed, implying both political and economic pressures. As a result of the unstable political situation, the regular closures of international roads, short-term violations of the ceasefire regime, attempts to illegally enter the sovereign territory of the Republic of Armenia, it is difficult to clearly predict the potential economic impact of the above on the Foundation's operations.

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These events may have a significant impact on the Foundation's future operations and financial stability, the full consequences of which are currently difficult to predict. The future economic and political situation and its impact on the Foundation's operations may differ from the management's current expectations.

These financial statements do not reflect the potential future impact of the above on the Foundation's operations.

2 Basis of preparation

2.1 Statement of compliance

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

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

2.2 Basis of measurement

The financial statements have been prepared on an accruals basis and under the historical cost convention.

2.3 Functional and presentation currency

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

These financial statements are presented in Armenian drams (unless otherwise stated), since management believes that this currency is more useful for the users of these financial statements. All financial information presented in Armenian drams has been rounded to the nearest thousand.

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRSs requires the management of Foundation to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although estimates and judgments are continually evaluated and are based on management's best knowledge of current performance, actual results ultimately may differ from accounting estimates. The original estimates and judgments will be adjusted as appropriate in the year in which circumstances change.

2.5 Adoption of new and revised standards

In the current year the Foundation has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2022.

3 Significant accounting policies

3.1 Foreign currencies

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. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date, which is 393.57 drams for 1 US dollar and 420.06 drams for 1 Euro as of 31 December 2022 (31 December 2021: 480.14 drams for 1 US dollar and 542.61 drams for 1 Euro).

3.2 Grants and donations

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

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

Other grants are recognized as income over the periods necessary to match them with the cost for which they are intended to compensate, on a systematic basis. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Foundation with no future related costs are recognized as income in the period in which they become receivable.

Unrestricted donations are available for general purposes as defined in the Foundation's governing documents. Therefore, unrestricted donations are recognized as revenue when they become receivable. Unrestricted donations are recognized as income on a systematic basis in the period in which they offset the related expenses for which they were received.

3.3 Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3.4 Employee benefits

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

- (a) wages, salaries and bonuses;
- (b) paid annual leaves and paid disability leaves.

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

- (a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Foundation shall recognize that

excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

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

Paid absences

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

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

Bonuses

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

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

4 Property, equipment and intangible assets

In thousand drams	Machines and equipment	Other	Total
<i>Cost</i>			
as of 31 December 2021	-	-	-
Additions	2,857	344	3,201
as of 31 December 2022	<u>2,857</u>	<u>344</u>	<u>3,201</u>
 <i>Accumulated depreciation</i>			
as of 31 December 2021	-	-	-
Charge for the year	2,426	18	2,444
as of 31 December 2022	<u>2,426</u>	<u>18</u>	<u>2,444</u>
 <i>Carrying amount</i>			
as of 31 December 2021	-	-	-
as of 31 December 2022	<u>431</u>	<u>326</u>	<u>757</u>

5 Accounts receivable

In thousand drams	As of 31 December 2022	As of 31 December 2021(unaudited)
<i>Financial assets</i>		
Trade receivables	3,800	-
Other receivables	389	2
	<u>4,189</u>	<u>2</u>
 <i>Non-financial assets</i>		
Prepayments	220	-
	<u>220</u>	<u>-</u>
Trade and other receivables	<u>4,409</u>	<u>2</u>

6 Bank balances

In thousand drams

	As of 31 December 2022	As of 31 December 2021(unaudited)
Bank balances in national currency	9,347	69
Foreign currency balances in banks	474	1,363
	<u>9,821</u>	<u>1,432</u>

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

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

In thousand drams	US dollar impact	
	2022	2021
Result	47	136

Bank balances are held at "Ameriabank" CJSC. The credit quality of cash and cash equivalent balances based on credit risk grades at 31 December 2022 is assessed as B+ based on Standard & Poor's ratings. The expected credit losses for bank accounts are not material.

7 Grants related to income

In thousand drams

	2022	2021
Balance at the beginning of the period	-	-
Additions	24,193	-
Transfer to grants relating to assets	(3,201)	-
Income recognized	(14,277)	-
Balance at the end of the year	<u>6,715</u>	<u>-</u>

8 Accounts payable

In thousand drams

	As of 31 December 2022	As of 31 December 2021(unaudited)
Trade payables	1,900	-
Payables to employees	932	-
Taxes and duties payable	589	476
	<u>3,421</u>	<u>476</u>

9 Contingencies

9.1 Insurance

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

destruction of certain assets or environmental damage could have a materially adverse effect on the Foundation's operations and financial position.

9.2 Taxes

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

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

10 Related parties

The Foundation's related parties include members of the Board of Trustees, key management personnel and their family members.

During the reporting year, the key management personnel of the Foundation and their family members received salaries in the amount of 10,500 thousand dram.