Հավելված N1
Հայաստանի Հանրապետության
պետական եկամուտների կոմիտեի նախագահի
2020 թվականի ապրիլի 17-ի
N 337-Ն հրամանի

Օրինակելի ձև

ՀԻՄՆԱԴՐԱՄՆԵՐԻ ԿՈՂՄԻՑ ՀՐԱՊԱՐԱԿՎՈՂ ՀԱՇՎԵՏՎՈՒԹՅԱՆ
ՀԱՍՏԱՏՎԱԾ Է
Հիմնադրամի հոգաբարձուների
խորհրդի 28-09-2021 թ. որոշմամբ
«ՍԻՄՈՆՅԱՆ ԿՐԹԱԿԱՆ ՀԻՄՆԱԴՐԱՄ»
Հ Ա Շ Վ Ե Տ Վ ՈՒ Թ Յ ՈՒ Ն
հիմնադրամի 2020 թ. գործունեության մասին

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Նշումներ՝

Կից ներկայացվում է աուդիտորական եզրակացությունը՝ 34 թերթից:
թերթերի քանակը

Հիմնադրամի տնօրեն ____________________
ստորագրությունը, անունը, ազգանունը

Գլխավոր հաշվապահ ____________________
ստորագրությունը, անունը, ազգանունը

Consolidated Financial Statements and Independent Auditor's Report

Simonian Educational Foundation

31 December 2020

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Grant Thornton

Independent auditor's report

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To the members Board of Trustees of Simonian Educational Foundation

Opinion

We have audited the consolidated financial statements of Simonian Educational Foundation (the "Parent") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as of 31 December 2020, and the consolidated statement of income and expenses, consolidated statement of changes in net assets, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those authorized by the legislation of the Republic of Armenia either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

Armen Hovhannisyan
Chief Executive Officer

Lilit Arabajyan, FCCA
Engagement Partner

27 September 2021

List of members of the board of trustees of Simonian Educational Foundation

Consolidated statement of financial position

In thousand drams

	Note	As of 31 December 2020	As of 31 December 2019
Assets			
Non-current assets			
Property and equipment	4	4,498,397	3,955,810
Intangible assets	5	19,538	24,625
Deferred income tax assets	6	52,960	5,425
Prepayments for non-current assets		917	917
Non-current borrowings provided	7	41,362	37,788
		4,613,174	4,024,565
Current assets			
Inventories	8	214,655	300,132
Trade and other receivables	9	192,657	127,076
Borrowings provided	7	1,435	1,584
Term deposits	10	2,147,718	-
Cash and bank balances	11	373,022	622,858
		2,929,487	1,051,650
Total assets		7,542,661	5,076,215
Liabilities and net assets			
Non-current liabilities			
Bank loans and borrowings	12	82,724	90,357
Grants related to assets	13	5,839,334	3,937,456
		5,922,058	4,027,813
Current liabilities			
Bank loans and borrowings	12	18,076	15,901
Trade and other payables	14	346,147	197,249
Grants related to income	15	300,000	158,968
Current income tax liabilities		59,061	7,670
		723,284	379,788
Net assets			
Accumulated profit		881,171	659,118
Total net assets attributable to the parent		881,171	659,118
Non-controlling interest		16,148	9,496
		897,319	668,614
Total net assets and liabilities		7,542,661	5,076,215

The consolidated financial statements were approved on 27 September 2021 by:

Marie Lou Papazian
Director

Aram Narimanyan
Chief Accountant

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 10 to 34.

Consolidated statement of income and expenses

In thousand drams	Note	Year ended 31 December 2020	Year ended 31 December 2019
Income from grants and donations		1,909,929	2,457,357
Other revenues	16	336,805	218,183
		2,246,734	2,675,540
Program expenses	17	(59,278)	(107,699)
Employee compensation		(1,483,064)	(1,323,963)
Depreciation and amortization		(181,276)	(188,173)
Other operating expenses	18	(468,967)	(502,495)
Profit from operating activities		54,149	553,210
Finance income	19	7,144	-
Finance costs	19	(7,139)	(28,304)
Gain/(loss) from exchange differences, net	20	195,711	(23,451)
Profit before income tax		249,865	501,455
Income tax expense	21	(21,160)	(11,402)
Profit from continuing operations		228,705	490,053
Gain for the year from discontinued operations		-	28,802
Profit for the year		228,705	518,855
Other comprehensive income		-	-
Total comprehensive income for the year		228,705	518,855
Total comprehensive income for the year attributable to:			
Non-controlling interest		6,652	(5,293)
Parent		222,053	524,148

The consolidated statement of income and expenses is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 10 to 34.

Consolidated statement of changes in net assets

In thousand drams

	Accumulated profit	Non-controlling interest	Total
as of 1 January 2019	146,489	3,270	149,759
Profit for the year	524,148	(5,293)	518,855
Disposal of a subsidiary	(11,519)	11,519	-
Total comprehensive income for the year	512,629	6,226	518,855
as of 31 December 2019	659,118	9,496	668,614
Profit for the year	222,053	6,652	228,705
Total comprehensive income for the year	222,053	6,652	228,705
as of 31 December 2020	881,171	16,148	897,319

The consolidated statement of changes in net assets is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 10 to 34.

Consolidated statement of cash flows

In thousand drams	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from operating activities		
Profit for the year	228,705	518,855
Adjustments for:		
Depreciation and amortization	181,276	188,173
Assets related to discontinued operation	-	8,947
Loss from disposal of property and equipment	2,218	-
Finance expense	7,139	28,304
Finance income	(7,144)	-
Income tax expense	21,160	11,402
Foreign exchange gain/(loss), net	(195,711)	23,451
Operating profit before working capital changes	237,643	779,132
Change in trade and other receivables	(52,336)	175,012
Change in inventories	85,477	(20,212)
Change in trade and other payables	147,099	59,650
Change in grants	2,042,910	74,007
Change in provided borrowings	2,253	(65,254)
Cash generated from operations	2,463,046	1,002,335
Interest paid	(7,172)	(7,862)
Income tax paid	(17,304)	(11,801)
Net cash from operating activities	2,438,570	982,672
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	(720,994)	(1,152,484)
Term deposits made	(2,078,338)	-
Net cash used in investing activities	(2,799,332)	(1,152,484)
Cash flows from financing activities		
Repayment of loans and borrowings	(12,820)	(11,859)
Net cash used in financing activities	(12,820)	(11,859)
Net decrease in cash and bank balances	(373,582)	(181,671)
Foreign exchange effect on cash	123,746	(20,614)
Cash and bank balances at the beginning of the year	622,858	825,143
Cash and bank balances at the end of the year	373,022	622,858

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 10 to 34.

Notes to the consolidated financial statements

1 Nature of operations and general information

Simonian Educational Foundation (the Parent, together with its subsidiary the "Group") was established by Armenians from America benefactors Sam and Silva Simonians (Founder). The Group was registered in the state register of the Republic of Armenia on 14 October 2009.

The Group started its activities in 2010. Currently the Group continues to implement the following projects: the creation of a Tumo Centre of creative technologies and implementation of Tumo projects, maintenance of the park after Hovhannes Tumanyan, in the scope of project of reconstruction and maintenance of the park. The opening of the Tumo Centre of creative technologies was on 14 August 2011, the Centre provides free of charge classes to teenagers ageing 12-18 in the field of information technologies, supports the RA youth of the senior group (ageing 19-26) the widening of professional knowledge through purposeful classes with certain directions.

In accordance with the contract signed on 31 May 2014 between the community of Yerevan and the Group, area of 15.62 hectare of the park after Hovhannes Tumanyan situated at 16 Halabyan Street, Yerevan was provided to the Group for the free of charge use for 99 years.

On 25 May and 2 September 2015 the Group opened Tumo Centers in Gyumri and Nagorno-Karabakh Republic respectively.

The Group reconstructs, renovates and modernizes the old theater building and adjacent territory to implement the Tumo Centre of creative technologies educational program in Gyumri. The works are intended to complete before 31 December 2021.

The Group also plans to open a Tumo Centre of creative technologies in the village of Koghb in Tavush region before 31 December 2023. The project will be implemented by means of the Armenian General Benevolent Union and the Koghb Foundation and the total budget will be drams 384,000 thousand.

The launch of the Tumo Box project was announced in 2019. Tumo Boxes are going to be Tumo satellite centers, which will be connected to the big Tumo centers by transport. This system allows providing the young people of the regions with Tumo educational experience with minimal financial means. The Tumo box is an easy-to-move but technically equipped mini Tumo. It can be placed in any town or village and served as a Tumo self-study area for local teenagers. After undergoing self-study process at their local Tumo box, the students are directed to a nearby large center, the Tumo Hub, for specialized training.

The first Tumo box is launched in Berd in cooperation with Amundi-ACBA, as well as with a donation from the HAYG Foundation. Students of Berd and nearby settlements will take practical courses in Tumo Dilijan, which will become an educational hub. Tumo box will provide education to about 250 young people yearly in the fields of technology and design.

Currently there are Tumo boxes also in Gavar and Sevan towns.

In 2017 the Group took initiative to implement Tumo Studios educational program, with a total budget of US dollars 5,000,000. The main objective of the program is to create a single platform by inviting leading international specialists in design and cooking on one hand, and making students part of the program on the other hand, where as a result of their cooperation, high-quality art pieces and tasteful dishes will be created and future professionals of Armenia will receive an education. The program will also be funded by contributions, donations from Sam and Silva Simonians Foundation, Armenian General Benevolent Union, JHM Foundation, as well as other individuals. The program is planned to be completed by 31 December 2024.

To accommodate a growing international interest in Tumo's educational program, the Group is now extending the geography of their centers. New Tumo centers have been opened in Paris and Lebanon, Moscow, Berlin and Tirana.

During 2017 the Parent has founded Tumo Ventures CJSC (80% shares) and acquired 3 other subsidiary companies: Ardean LLC (60% shares), Khelagar Saqo LLC (100% shares) and Shunn u Katun LLC (100% shares).

During 2019 60% shares in Ardean LLC were disposed by the Parent.

In accordance with the agreement dated 22 December 2017, aiming to contribute to extending and development of Knowledge For Development project, also to extending of Tumo Centre of creative technologies, the Group together with the Central Bank of Armenia is going to implement Tumo Dilijan project. For this purpose the Central Bank of Armenia inputs the right of property control for the use of area, invests money and property, and the Group invests skills, experience, professional and other knowledge set for the implementation of the project, as well as finances of the rest of the expenses for the project.

The Group implements "EU-TUMO Convergence Center for Engineering and Applied Science" Project. The implementation period of the project is 57 months. The overall budget of the project is EUR 17,193,695.

Launched in 2019, the EU Tumo Convergence Center for Engineering and Applied Science project is being implemented in cooperation with the European Union in cooperation with the French University in Armenia and will be located near the Tumo Center in Yerevan. The Center occupying an area of 25 thousand square meters will be a hub for research, education and startups. The project will create an open platform and active community, combining education and business, bringing together students, young professionals, and local companies with their international partners. The Center will house the branch of the French University in Armenia and School 42, which is a well-known programming school established in France for young professionals. The architectural design of the Center will be implemented by the world-famous Dutch company MVRDV. The final architectural project will be presented in the spring of 2022.

The legal address of the Group is 16 Halabyan Street, Yerevan, Republic of Armenia.

As of 31 December 2020 the number of employees of the Group was 267 (2019: 253).

2 Basis of preparation

2.1 Statement of compliance

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

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 consolidated financial statements have been prepared on an accruals basis and under the historical cost convention with the exception of certain financial instruments that are stated at present discounted value of future cash flows.

2.3 Functional and presentation currency

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

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

2.4 Use of estimates and judgment

The preparation of consolidated financial statements in conformity with IFRSs requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 22 to the consolidated financial statements.

2.5 Adoption of new and revised standards

In the current year the Group 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 2020.

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

New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2020

New standards and amendments described below and applied for the first time in 2020 did not have a material impact on the annual consolidated financial statements of the Group:

- *Conceptual Framework for Financial Reporting*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Interest Rate Benchmark Reform (Amendment to IFRS 9 and IFRS 7)*

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

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

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

Management does not anticipate a material impact on the Group's financial statements from these Standards and Amendments, they are presented below.

- *Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 16, IFRS 4, IFRS 7)*
- *Proceeds before intended use (Amendments to IAS 16)*
- *Annual improvements to IFRS Standards 2018-2020 cycle (Amendments to IFRS 1, IFRS 9, IAS 41, IFRS 16)*
- *Classification of liabilities as current or non-current (Amendments to IAS 1)*

2.6 Subsidiaries

31 December 2020 and 2019

Subsidiary	Ownership %	Country	Date of incorporation	Industry	Date of acquisition
Shunn u Katun LLC	100%	Armenia	29 June 2017	-	3 July 2017
Khelagar Saqo LLC	100%	Armenia	24 November 2017	-	13 December 2017
Tumo Ventures CJSC	80%	Armenia	24 March 2017	Franchising of Tumo educational program	21 August 2017

3 Significant accounting policies

3.1 Basis of consolidation

The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2020. All subsidiaries have a reporting date of 31 December.

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

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

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

3.2 Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

The Group recognizes in relation to its interest in a joint operation:

(a) its assets, including its share of any assets held jointly;

(b) its liabilities, including its share of any liabilities incurred jointly;

(c) its revenue from the sale of its share of the output arising from the joint operation;

(d) its share of the revenue from the sale of the output by the joint operation; and

(e) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

3.3 Foreign currencies

In preparing the consolidated financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date, which is 522.59 drams for 1 US dollar and 641.11 drams for 1 euro as of 31 December 2020 (31 December 2019:

479.70 drams for 1 US dollar, 537.26 drams for 1 euro). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date).

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

3.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Expenditure to replace a component of an item of property and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in profit or loss as incurred.

Depreciation is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Buildings	-	30 years
Machinery and equipment	-	3-5 years
Fixtures and fittings	-	3-5 years

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

3.5 Intangible assets

Intangible assets, which are acquired by the Group and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the intangible assets, which is estimated at 10 years for computer software and licenses.

3.6 Impairment of property and equipment and intangible assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment loss is treated as a revaluation increase.

3.7 Leased assets

The Group as a lessee

The Group makes the use of leasing arrangements principally for offices and trade areas. The rental contracts for offices are typically negotiated for terms of between 1 and 5 years and some of these have extension terms. The Group does not enter into sale and leaseback arrangements.

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or the result for the year if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in the result for the year on a straight-line basis over the lease term.

The Group as a lessor

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

3.8 Inventories

Inventories are assets held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Items such as spare parts, stand-by equipment and servicing equipment are also recognized as inventories unless they meet the definition of property and equipment.

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.9 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

Classification and initial measurement of financial assets

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

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

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

The classification is determined by both:

- the Group's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in the result for the year are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses. A summary of the Group's financial assets by category is given in note 23.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, term deposits, borrowings provided, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the "expected credit loss (ECL) model". Instruments within the scope of IFRS 9 requirements included borrowings provide measured at amortized cost, term deposits, cash and bank balances, trade receivables, recognized and measured under IFRS 15.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 24(b) for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

The Group's financial liabilities include loans and borrowings, trade and other payables. A summary of the Group's financial liabilities by category is given in note 23.

Loans and borrowings

Loans and borrowings are recognized initially at fair value, net of issuance costs associated with the borrowing. The difference between fair value and nominal value is recognized in the result for the year, except when the borrowing was received from the founders. In this instance the difference between fair value and nominal value is recognized in the consolidated statement of changes in net assets. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value recognized in the result for the year over the period of the borrowings on an effective interest basis. Interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance expenses, except for the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalized as part of that asset.

Trade and other payables

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

3.10 Grants

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

Grants with a primary condition to purchase, construct or otherwise acquire non-current assets are recognized as 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 Group with no future related costs are recognized as income in the period in which they become receivable.

3.11 Income tax

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable result. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.12 Employee benefits

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

(a) wages, salaries and bonuses;

(b) paid annual leaves and paid disability leaves.

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

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Group shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

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

Paid absences

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

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

(b) in the case of non-accumulating paid absences, when the absences occur.

Bonuses

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

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

3.13 Revenue

Revenue from contracts

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and rebates allowed by the Group.

Revenue arises mainly from the support of implementation of Tumo projects abroad, franchising, camp arrangements.

To determine whether to recognize revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as advances from customers in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Support of implementation of Tumo projects

Tumo projects include project support, educational materials, pedagogical methodology and the name of Tumo, as well as preparatory services to open Tumo centers, management and coordination works. Revenue from rendering of services is recognized when the appropriate service is rendered.

Revenue from franchising

Revenue from the franchising is recognized on a straight-line basis upon the term of the appropriate franchising agreement.

Revenue from camp arrangements

Revenue from camp arrangements is recognized when the appropriate services are rendered.

Rental income

Rental income is recognized on a straight-line basis over the term of the relevant lease. Rental income is recognized at the end of each month, when a relevant invoice is issued.

Interest income

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4 Property and equipment

In thousand drams	Land and buildings	Machinery, equipment and computers	Fixture and fittings	Construction in progress	Total
Cost					
as of 1 January 2019	988,455	1,028,188	449,797	1,822,402	4,288,842
Additions	-	129,010	51,667	973,094	1,153,771
Assets related to discontinued operation	(7,003)	(1,641)	(2,912)	-	(11,556)
as of 31 December 2019	981,452	1,155,557	498,552	2,795,496	5,431,057
Additions	-	124,891	123,217	474,098	722,206
Disposal	-	(24,468)	(5,030)	-	(29,498)
as of 31 December 2020	981,452	1,255,980	616,739	3,269,594	6,123,765
Accumulated depreciation					
as of 1 January 2019	129,619	819,089	351,408	-	1,300,116
Charge for the year	8,405	135,363	34,662	-	178,430
Assets related to discontinued operation	(1,954)	(835)	(510)		(3,299)
as of 31 December 2019	136,070	953,617	385,560	-	1,475,247
Charge for the year	8,349	123,828	45,624	-	177,801
Eliminated on disposal	-	(23,054)	(4,626)	-	(27,680)
as of 31 December 2020	144,419	1,054,391	426,558	-	1,625,368
Carrying amount					
as of 31 December 2019	845,382	201,940	112,992	2,795,496	3,955,810
as of 31 December 2020	837,033	201,589	190,181	3,269,594	4,498,397

The cost of fully depreciated property and equipment as of 31 December 2020 is drams 1,257,259 thousand (2019: drams 1,016,726 thousand), which mainly represents the cost of fully depreciated computers.

Additions to construction in progress include:

In thousand drams	2020	2019
Reconstruction of the Gyumri theatre building	220,357	855,097
EU Tumo Convergence Center for Engineering and Applied Science project	168,467	-
Construction of a Tumo Centre in Koghb community	74,255	116,675
Engineering and design works of the building constructed in the scope of Tumo Studios program	3,958	-
Other	7,061	1,322
	474,098	973,094

5 Intangible assets

In thousand drams	Computer software and licenses
Cost	
as of 1 January 2019	91,086
Additions	2,628
Assets related to discontinued operations	(744)
as of 31 December 2019	92,970
Additions	3,814
Disposal	(16,490)
as of 31 December 2020	80,294
Accumulated amortization	
as of 1 January 2019	58,656
Charge for the year	9,743
Assets related to discontinued operations	(54)
as of 31 December 2019	68,345
Charge for the year	8,501
Elimination on disposal	(16,090)
as of 31 December 2020	60,756
Carrying amount	
as of 31 December 2019	24,625
as of 31 December 2020	19,538

The majority of intangible assets represent purchased software for computers, which are used in the scope of Tumo programs.

6 Deferred income tax assets

The movement of deferred income taxes is disclosed below:

In thousand drams	As of 31 December 2020	As of 31 December 2019
Balance at the beginning of year	5,425	-
Credited to profit or loss	47,535	5,425
Balance at the end of year	52,960	5,425

Deferred income taxes for the year ended 31 December 2020 can be summarized as follows:

In thousand drams	1 January 2020	Recognized in profit or loss	31 December 2020
Deferred income tax assets			
Trade and other receivables	5,037	21,297	26,334
Trade and other payables	388	26,238	26,626
	5,425	47,535	52,960
Net position	5,425	47,535	52,960

Deferred income taxes for the year ended 31 December 2019 can be summarized as follows:

In thousand drams	1 January 2019	Recognized in profit or loss	31 December 2019
Deferred income tax assets			
Trade and other receivables	-	5,037	5,037
Trade and other payables	-	388	388
	-	5,425	5,425
Net position	-	5,425	5,425

7 Borrowings provided

In thousand drams	Non-current		Current	
	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
Balance as of 1 January 2020	37,788	-	1,584	-
Borrowings provided/(repaid)	-	80,045	(149)	1,584
Unwinding of fair value loss/(fair value adjustment)	5,678	(20,442)	-	-
Allowance for credit loss	(2,104)	(21,815)	-	-
Balance as of 31 December 2020	41,362	37,788	1,435	1,584

Non-current interest-free borrowings were provided to Ardean LLC and mature in 2023. The fair values of borrowings approximate their carrying amount. Borrowings were provided in Armenian drams.

8 Inventories

In thousand drams	As of 31 December 2020	As of 31 December 2019
Construction materials	168,704	236,332
Goods	13,267	13,895
Spare parts	4,456	3,674
Other	28,228	46,231
	214,655	300,132

9 Trade and other receivables

In thousand drams	As of 31 December 2020	As of 31 December 2019
Financial assets		
Trade receivables	193,059	37,486
Allowance for expected credit losses	(82,742)	(27,982)
	110,317	9,504
Non-financial assets		
Advances and prepayments	72,106	110,480
Prepaid taxes	10,234	7,092
	82,340	117,572
	192,657	127,076

Movement of the allowance for expected credit losses is presented below:

In thousand drams

	2020	2019
Balance at the beginning of year	27,982	-
Increase in the allowance during the year	54,760	27,982
Balance at the end of year	82,742	27,982

Trade receivables mainly include annual licenses and franchising fees, transition management and technical support fees to be collected from Tumo centers abroad.

Allowance for expected credit losses relates to first year fee from Mahara Capital as consideration for the license of proprietary rights, delivery of the program and day-to-day management of the center.

Advances are given for construction and reconstruction works of Tumo Centre for Creative Technologies in Koghb community in Tavush marz, Gavar and Sevan.

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Note 24 (b) includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

Refer to note 24 (a) for the currencies in which the trade and other receivables are denominated.

10 Term deposits

The Group has a deposit account in HSBC Armenia CJSC.

Deposits are denominated in Euros, bear interest rate of 0.5%-1% annually and mature in March and December 2021.

11 Cash and bank balances

In thousand drams	As of 31 December 2020	As of 31 December 2019
Cash in hand	1,851	1,785
Bank accounts	371,171	621,073
	373,022	622,858

Refer to note 24 for the currencies in which the cash and bank balances are denominated.

12 Bank loans and borrowings

In thousand drams	Current		Non-current	
	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
Bank loans	15,026	12,851	82,724	90,357
Borrowings	3,050	3,050	-	-
	18,076	15,901	82,724	90,357

Loans

The Group signed loan agreements with Ameriabank CJSC and Converse Bank CJSC, at the annual interest rate of 7.25% for a maximum amount of drams 300,000 thousand and drams 150,000 thousand respectively, which according to the agreements may be loaned by the banks in a lump sum payment or partly during the period of the agreement. The agreements are effective until 22 December 2032 and 29 November 2038 respectively.

13 Grants related to assets

In thousand drams

	2020	2019
Balance at the beginning of the year	3,937,456	3,753,054
Received during the year	1,915,235	830,900
Credited to profit or loss during the year	(13,357)	(646,498)
Balance at the end of the year	5,839,334	3,937,456

Grants received during the year include:

In thousand drams	Year ended 31 December 2020	Year ended 31 December 2019
European Union	1,696,323	538,809
The Armenian General Benevolent Union	121,132	238,155
JHM Foundation	51,128	4,121
Other	46,652	49,815
	1,915,235	830,900

14 Trade and other payables

In thousand drams	As of 31 December 2020	As of 31 December 2019
Prepaid license and franchising fees	142,548	9,599
Trade payables	71,368	57,905
Payables to employees	65,786	59,326
Guarantee fees from students	27,499	26,808
Payables to the State budget	24,128	39,505
Other payables	14,818	4,106
	346,147	197,249

License and franchising prepayments were mainly received from Creative Learning Platform LLC and Global Education LLC, for the opening of Tumo Centers in Moscow and Kiev, respectively.

Guarantee fees from each student at the amount of ten thousand drams are subject to return after the end of the trainings provided by the Group or when the contract is terminated. Currently the Group no longer charges ten thousand drams and terminates previous contracts and signs new ones instead.

No interest is charged on the trade payables. The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe.

Refer to note 24 for the currencies in which the trade and other payables are denominated.

15 Grants related to income

In thousand drams

	2020	2019
Balance at the beginning of the year	158,968	269,363
Received during the year	2,049,333	1,700,464
Credited to profit or loss	(1,896,572)	(1,810,859)
Reclassification to payables	(11,729)	-
Balance at the end of the year	300,000	158,968

Grants received during the year include:

In thousand drams

	2020	2019
Sam and Silva Simonians Foundation	1,418,210	1,126,195
European Union	336,531	265,093
JHM Foundation	159,795	92,743
The Armenian General Benevolent Union	60,303	106,469
Government of the NKR	12,839	59,292
Economic Education and Research Support Centre Foundation	30,000	30,000
Other	31,655	20,672
	2,049,333	1,700,464

16 Other revenues

In thousand drams	Year ended 31 December 2020	Year ended 31 December 2019
Revenue from contracts		
Revenue from camp	16,600	99,458
Support of implementation of Tumo projects	293,643	88,800
Revenue from sale of goods	4,611	10,742
Other revenue		
Rental income	2,865	14,400
Other	19,086	4,783
	336,805	218,183

17 Program expenses

In thousand drams	Year ended 31 December 2020	Year ended 31 December 2019
Services received	55,198	85,529
Cost of materials	2,539	10,143
Other	1,541	12,027
	59,278	107,699

18 Other operating expenses

In thousand drams	Year ended 31 December 2020	Year ended 31 December 2019
Services received	118,000	84,522
Allowance for provided borrowings and trade receivables	56,864	49,797
Office and utility expenses	51,148	42,941
Cost of materials used	45,264	35,335
Hospitality and marketing expenses	43,612	120,921
Maintenance expenses	40,166	47,200
Telecommunication and postal service expenses	26,974	20,452
Donations	23,682	14,936
Rental expenses	15,052	12,411
Taxes and duties	6,542	16,537
Consulting expenses	4,625	10,223
Other	37,038	47,220
	468,967	502,495

19 Finance income and costs

In thousand drams	Year ended 31 December 2020	Year ended 31 December 2019
Unwinding of discount of borrowings provided	5,678	-
Accrual of deposit interests	1,466	-
Total finance income	7,144	-
Fair value adjustment on borrowings provided	-	(20,442)
Interest expense on bank loans	7,139	(7,862)
Total finance costs	7,139	(28,304)
Net finance income/(costs)	5	(28,304)

20 Gain/(loss) from exchange differences, net

In thousand drams	Year ended 31 December 2020	Year ended 31 December 2019
Financial assets measured at amortized cost	204,905	(20,696)
Financial liabilities measured at amortized cost	(9,194)	(2,755)
	195,711	(23,451)

21 Income tax expense

In thousand drams	Year ended 31 December 2020	Year ended 31 December 2019
Current tax	68,695	16,827
Deferred tax asset	(47,535)	(5,425)
	21,160	11,402

Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended 31 December 2020	Effective tax rate (%)	Year ended 31 December 2019	Effective tax rate (%)
Profit before taxation (under IFRSs)	249,865		501,455	
Tax calculated at a tax rate of 18% (2019: 20%)	44,976	18	100,291	20
(Non-taxable)/non-deductible items, net	(23,816)	(10)	(88,891)	(18)
Income tax expense	21,160	8	11,402	2

In accordance with the law on "Profit tax" grants and donations received by the Group are not considered as taxable income and are not subject to profit tax. Profit tax expense arises from trade activities, particularly, from camp organization, penalties and fines, as well as other trade activities.

22 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

22.1 Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property and equipment

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

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Provision for expected credit losses of trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 24(b).

22.2 Critical judgments in applying accounting policies

The following are the judgements made by management in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements.

Accounting for an investment, that is not a business combination

As described in note 1, the Parent company acquired Shunn u Katun LLC and Khelagar Saqo LLC during 2017. Management believes that the mentioned transactions are not business combination, since acquired assets and assumed liabilities do not constitute a business, and, therefore, the transaction was accounted as an acquisition of assets by the Group by applying the acquisition method, however, without recognising of goodwill at the acquisition date for the investee.

Accounting for joint operations

As described in note 1, the Group concluded an agreement with the Central Bank of Armenia to implement a joint project on extension of Tumo Centers in the town of Dilijan.

Determination whether the above arrangement is a joint operation or a joint venture requires management judgment. The Group assesses its rights and obligations by considering the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

Judgment is also required to determine whether the arrangement is jointly controlled by both parties.

The Group concluded that the above arrangement is a joint operation hence falls within the scope of IFRS 11. Accordingly, the Group recognized all assets, liabilities, income and expenses related to its interest in the joint operation.

23 Financial instruments

23.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 3.9.

23.2 Categories of financial instruments

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

Financial assets

In thousand drams	As of 31 December 2020	As of 31 December 2019
Amortized cost		
Trade and other receivables	110,317	9,504
Borrowings provided	42,797	39,372
Term deposits	2,147,718	-
Cash and bank balances	373,022	622,858
	2,673,854	671,734

Financial liabilities

In thousand drams	As of 31 December 2020	As of 31 December 2019
Amortized cost		
Bank loans and borrowings	100,800	106,258
Trade and other payables	137,154	117,231
	237,954	223,489

24 Financial risk management

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

Financial risk factors

a) Market risk

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

Foreign currency risk

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

Most of the Group's transactions are carried out in Armenian drams. Exposures to currency exchange rates arise from the Group's foreign currency dominated grants, acquisitions, loan from banks, term deposits and trade and other receivables, which are primarily denominated in US dollars, as well as in Euro.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into Armenian drams at the closing rate:

Item		
As of 31 December 2020	US dollar	Euro
Financial assets		
Trade and other receivables	100,562	88,093
Term deposits	-	2,147,718
Cash and bank balances	211,658	69,287
	312,220	2,305,098
Financial liabilities		
Bank loans and borrowings	97,750	-
Trade and other payables	1,367	22,054
	99,117	22,054
Net position	213,103	2,283,044

Item		
As of 31 December 2019	US dollar	Euro
Financial assets		
Trade and other receivables	6,447	-
Cash and bank balances	25,307	588,047
	31,754	588,047
Financial liabilities		
Loans and borrowings	103,207	-
Trade and other payables	1,345	-
	104,552	-
Net position	(72,798)	588,047

The following table details the Group's sensitivity to a 10% (2019: 10%) increase and decrease in dram against US dollar and Euro. 10% (2019: 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% (2019: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Euro by 10% (2019: 10%) then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2020	2019	2020	2019
Result	(21,310)	7,280	(228,304)	(58,805)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

b) *Credit risk*

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

The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

In thousand drams	As of 31 December 2020	As of 31 December 2019
Financial assets at carrying amounts		
Accounts receivable	110,317	9,504
Borrowings provided	42,797	39,372
Term deposits	2,147,718	-
Bank balances	371,171	621,073
	2,672,003	669,949

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

The credit risk in respect of cash balances held with banks and term deposits is managed via diversification of bank accounts, and are only with major reputable financial institutions.

The Group continuously monitors the credit quality of customers. Where available, external credit ratings and/or reports on customers are obtained and used. The Group's policy is to deal only with credit worthy counterparties. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

The Group does not hold any security on the trade receivables balance. In addition, the Group does not hold collateral relating to other financial assets.

Trade receivables

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

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 12 months before 31 December 2020 as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

c) *Liquidity risk*

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

The Group's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related payments when those become due.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

2020

	Non-interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate		7.04%	
Less than 6 months	66,041	10,675	76,716
6 months to 1 year	74,418	10,675	85,093
1-5 years	-	71,410	71,410
More than 5 years	-	28,709	28,709
	140,459	121,469	261,928

2019

	Non-interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate		7.04%	
Less than 6 months	70,907	9,826	80,733
6 months to 1 year	14,631	9,826	24,457
1-5 years	34,743	72,134	106,877
More than 5 years	-	38,431	38,431
	120,281	130,217	250,498

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

25 Fair value measurement

The Group provides an analysis of its assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These Levels are described below:

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

Financial instruments measured at amortized cost for which the fair value is disclosed

Financial instruments measured at amortized cost include loans and borrowings.

Fair value has been determined by discounting the relevant cash flows using market interest rates for similar instruments. As a result of this exercise, most significant input is the discount rate. Estimated fair values of the above financial assets and financial liabilities are classified within Level 3 of the fair value hierarchy.

26 Commitments

26.1 Capital commitments

As described in note 1, in order to open new Tumo Centre of creative technologies in the village of Koghb in Tavush region, as well as Tumo boxes in Gavar and Sevan towns, the Group signed construction contracts with Akhuryani Coopshin LLC and Artcon CJSC. As of 31 December 2020 the commitments on these contracts are drams 45,849 thousand.

27 Contingencies

27.1 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 Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Group property or relating to the Group operations. Until the Group 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 Group's operations and financial position.

27.2 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.

On 1 January 2020, the chapter on the regulation of transfer pricing of the Tax Code of the Republic of Armenia came into force, which defines the peculiarities of transactions between related parties, defines the procedure for considering those transactions as controlled by the tax authority, as well as the procedure for submitting notification and documentation. The purpose of the mentioned regulations is to determine whether the financial performance of transactions between related parties is consistent with the arm's length principle, and in the event of inconsistency, the adjustment procedure for tax base computation purpose is established. The application of these regulations is subject to separate inspection by the tax authority, and the absence of required documentation or improper submission can result in significant consequences.

The mentioned chapter of the Tax Code contains many uncertainties, and similar regulations have not been applied in the Republic of Armenia in the past. As a result, there is no sufficient experience in interpreting and applying such regulations.

As of the date of these financial statements the Group carried out analysis consistent with regulations of transfer pricing, as a result of which concluded that the impact of this change on financial statements is not significant.

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.

27.3 Environmental matters

Management is of the opinion that the Group has met the Government's requirements concerning environmental matters and, therefore, believes that the Company does not have any current material environmental liabilities. However, environmental legislation in Armenia is in process of development and potential changes in the legislation and its interpretation may give rise to material liabilities in the future.

28 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

In thousand drams	Long-term borrowings	Short-term borrowings	Total
as of 1 January 2020	90,357	15,901	106,258
Cash-flows			
Repayments	-	(12,820)	(12,820)
Interest paid	(7,172)	-	(7,172)
Non-cash			
Interest accrual	7,139	-	7,139
Loss from revaluation	7,395	-	7,395
Reclassification	(14,995)	14,995	-
as of 31 December 2020	82,724	18,076	100,800

In thousand drams	Long-term borrowings	Short-term borrowings	Total
as of 1 January 2019	108,275	15,282	123,557
Cash-flows			
Repayments	-	(11,859)	(11,859)
Interest paid	(7,862)	-	(7,862)
Non-cash			
Interest accrual	7,862	-	7,862
Borrowings related to disposal group	-	(5,440)	(5,440)
Reclassification	(17,918)	17,918	-
as of 31 December 2019	90,357	15,901	106,258

29 Related parties

The Group's related parties include Epygi Labs AM LLC, Epygi Labs AM LLC Armenian Branch, members of the board of trustees, who are Samvel Simon Simonian (the president of the Board), Sevan Natasha Simonian, Silva Ohanian Simonian and key management.

29.1 Transactions with related parties

During the reporting year the Group had the following transactions with the related parties and as of the reporting date had the following outstanding balances.

In thousand drams

Transactions	Year ended 31 December 2020	Year ended 31 December 2019
Founder		
Grants received	1,418,210	1,126,195
Entities under common control		
Services received	39,574	39,973
Key management		
Salary and bonuses	134,936	110,115

In thousand drams

Outstanding balances	As of 31 December 2020	As of 31 December 2019
Founder		
Grants related to assets	354,187	317,963
Entities under common control		
Trade and other payables	29,420	19,846
Key management		
Trade and other payables	9,519	8,155

In order to secure the Group's activities Epygi Labs AM LLC gave an area of 3,965 square meters located at 16 Halabyan for uncompensated use to the Group.

Signer: ՀՀ ՊԵԿ
Date: 29.09.2021 18:34