

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 02-03-2020 թ. որոշմամբ
 «ՔԱԹՐԼԻՄԹ» ԲԱՐՁՐ ՏԵԽՆՈԼՈԳԻԱՆԵՐԻ ԵՎ ՁԵՌՆԵՐԵՑՈՒԹՅԱՆ ԶԱՐԳԱՑՄԱՆ ՀԻՄՆԱԴՐԱՄ»
 Հ Ա Շ Վ Ե Տ Վ ՈՒ Թ Յ ՈՒ Ն
 հիմնադրամի 2019 թ. գործունեության մասին**

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Նշումներ`

Կից ներկայացվում է աուդիտորական եզրակացությունը` 24 թերթից:
թերթերի քանակը

Հիմնադրամի տնօրեն _____
ստորագրությունը, անունը, ազգանունը

Գլխավոր հաշվապահ _____
ստորագրությունը, անունը, ազգանունը

Financial Statements and Independent Auditor's Report

Catalyst Hi-Tech and Entrepreneurship Development Foundation

31 December 2019



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Independent auditor's report

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To the Board of Trustees of Catalyst Hi-Tech and Entrepreneurship Development Foundation

Opinion

We have audited the financial statements of Catalyst Hi-Tech and Entrepreneurship Development Foundation (the “Foundation”), which comprise the statement of financial position as of 31 December 2019, and the statement of income and expenses and change in net assets, 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 2019, 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.

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 management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

Members of the Board of Trustees

- Ruben Meschyan
- Khachatur Papanyan
- Adam Mathias Bittlingmayer

Statement of financial position

In thousand drams	Note	As of 31 December 2019	As of 31 December 2018
Assets			
<i>Non-current assets</i>			
Property and equipment	4	5,964	6,706
Right-of-use assets	5	20,602	-
Other non-current assets		22	-
		<u>26,588</u>	<u>6,706</u>
<i>Current assets</i>			
Accounts receivable		225	353
Bank balances		17,267	5,696
		<u>17,492</u>	<u>6,049</u>
Total assets		<u><u>44,080</u></u>	<u><u>12,755</u></u>
<i>Non-current liabilities</i>			
Lease liabilities	6	12,239	-
		<u>12,239</u>	<u>-</u>
<i>Current liabilities</i>			
Deferred income	7	16,587	1,942
Lease liabilities	6	10,264	-
Accounts payable	8	6,475	7,609
Current income tax liabilities		171	633
		<u>33,497</u>	<u>10,184</u>
<i>Net assets</i>			
Accumulated result		(1,656)	2,571
Total net assets and liabilities		<u><u>44,080</u></u>	<u><u>12,755</u></u>

The financial statements were approved on 2 March 2020 by:

Ashot Arzumanyan
Director

Vahe Meliksetyan
Freeway Finance CJSC, 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 24.

Statement of income and expenses and change in net assets

In thousand drams	Note	Year ended 31 December 2019	Year ended 31 December 2018
Income from grants and donation		62,195	49,931
Contract revenue	9	14,489	18,107
		<u>76,684</u>	<u>68,038</u>
Training, consulting and expert services		(34,383)	(33,086)
Employee benefits		(24,352)	(12,355)
Depreciation		(11,347)	(970)
Lease expenses		(13)	(11,867)
Other expenses	10	(8,149)	(10,796)
		<u>(1,560)</u>	<u>(1,036)</u>
Finance costs	6	(2,475)	-
Foreign exchange (loss)/gain, net		(21)	8
Result before income tax		<u>(4,056)</u>	<u>(1,028)</u>
Income tax expense	11	(171)	(633)
Result for the year		<u>(4,227)</u>	<u>(1,661)</u>
Net assets at the beginning of the year		<u>2,571</u>	4,232
Net assets at the end of the year		<u>(1,656)</u>	<u>2,571</u>

The statement of income and expenses and change 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 24.

Statement of cash flows

In thousand drams	Year ended 31 December 2019	Year ended 31 December 2018
Cash flows from operating activities		
Grants and donations received	72,090	49,634
Cash received from rendering of services	19,231	17,463
Payroll and other equivalent payments	(16,177)	(8,390)
Lease payments	(8,743)	(10,393)
Payments to suppliers	(40,545)	(44,376)
Taxes and duties paid	(12,673)	(7,603)
Miscellaneous costs	(1,647)	(815)
<i>Net cash from/(used in) operating activities</i>	<u>11,536</u>	<u>(4,480)</u>
Cash flows from financing activities		
Proceeds from borrowings	140	500
Repayment of borrowings	(140)	(500)
<i>Net cash used in financing activities</i>	<u>-</u>	<u>-</u>
Net increase/(decrease) in bank balances	11,536	(4,480)
Foreign exchange effect on cash	35	11
Bank balances at the beginning of the year	<u>5,696</u>	<u>10,165</u>
Bank balances at the end of the year	<u>17,267</u>	<u>5,696</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 24.

Notes to the financial statements

1 Nature of operations and general information

Catalyst Hi-Tech and Entrepreneurship Development Foundation (the “Foundation”) was established in June 2017 by founding partners for running programs which will provide Armenian startup companies in the field of information and high technologies with relevant skillset and support for development.

One of the main projects of the Foundation is the Armenia Startup Academy program, that aims to shape Armenia’s innovative future. Being the leading startup program in Armenia it feeds startup ecosystem with the pipeline of capable companies. It is designed to guide tech companies through the process of customer development using advanced tracking instruments. The Academy is implemented in the framework of the EU4Business SMEDA Project, which is co-funded by the EU and the BMZ, and implemented by GIZ.

One of the aims of the Foundation is to create a sustainable blockchain community with experienced trainers, continuous trainings, workshops and recurring meetups. For that purpose the Foundation initiates a unique series of weekly meetups called Blockchain Days, where blockchain professionals share different topics about the blockchain.

The Foundation also has organized the first and only Quantum Computing Research Lab in Armenia that works closely with researchers from Google and Stanford University.

A unique innovation hub is established that hosts all the mentioned initiatives and is being home for a number of deep tech startups. It is a tech and entrepreneurship space in Yerevan with a creative atmosphere and an entrepreneurial spirit for hero teams with globally competitive ideas.

The average number of employees of the Foundation during 2019 was 3 employees (2018: 2 employees).

The Foundation’s registered address is 1 Vagharshyan Street 46, Yerevan, Armenia.

The Foundation carries out its activities on 2a Barbusse street, Yerevan, Armenia.

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 the historical cost basis.

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 management 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 revenues 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 financial statements are disclosed in note 12 to the financial statements.

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 2019.

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 2019

IFRS 16 *Leases*

IFRS 16 *Leases* replaces IAS 17 *Leases* along with three Interpretations (IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases-Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*).

The adoption of this new standard has resulted in the Foundation recognizing a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Foundation has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Foundation has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Foundation has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Foundation has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Foundation has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 9.61%.

The Foundation has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

IFRIC 23 *Uncertainty over Income Tax Treatment*

IFRIC 23 provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under IAS 12, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates, and (iv) effect of changes in facts and circumstances.

The adoption of IFRIC 23 does not have an impact on the Foundation's financial statements.

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

At the date of authorization of these 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 Foundation.

Management anticipates that all of the relevant pronouncements will be adopted in the Foundation's accounting policies for the first period beginning on or after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Foundation's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Foundation's financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

The IASB has issued "Definition of Material (Amendments to IAS 1 and IAS 8)" to clarify the definition of "material" and to align the definition issued in the Conceptual Framework and the standards themselves.

The materiality requirements of IAS 1 have been amended to emphasize that information should not be aggregated or disaggregated in a way that obscures material information. The changes also highlight that materiality applies to all aspects of financial statements, including the primary financial statements, the notes and specific disclosures required by individual IFRSs. The purpose is to encourage entities (and others involved in the preparation and review of financial statements) to give careful consideration to presentation requirements, and to the items that need to be included in financial statements.

The content of primary statement line items has been clarified, including that as well as aggregating immaterial items, individual lines that contain significant items may need to be disaggregated. Additional guidance has also been added for the use of subtotals, requiring that these are derived using amounts that are reported in accordance with IFRSs.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

Amendments to IAS 1 Presentation of Financial Statements in Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, which clarify the criteria used to determine whether liabilities are classified as current or non-current in the statement of financial position. The changes are intended to provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument.

Since the amendments clarify, but do not change, existing requirements, they are not expected to affect Foundation's financial statements significantly.

The changes will be effective from accounting periods starting 1 January 2022. Early application of the amendments is permitted.

Amendments to the Conceptual Framework for Financial Reporting

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

3 Significant accounting policies

3.1 Foreign currencies

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 479.70 drams for 1 US dollar and 537.26 drams for 1 euro as of 31 December 2019 (31 December 2018: 483.75 drams for 1 US dollar, 553.65 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), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

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

3.2 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 the statement of income and expenses.

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 the statement of income and expenses 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:

Computer equipment	- 5 - 8 years
Fixtures and fittings	- 1 - 5 years.

3.3 Impairment of property and equipment, right-of-use 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.

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.

3.4 Leased assets

As described in note 2.5, the Foundation has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 January 2019

The Foundation as a lessee

For any new contracts entered into on or after 1 January 2019, the Foundation considers whether a contract is, or contains a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration”. To apply this definition, the Foundation assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Foundation,
- the Foundation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- the Foundation has the right to direct the use of the identified asset throughout the period of use. The Foundation assesses whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Foundation recognizes a right-of-use asset and a lease liability on the 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 Foundation, 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 Foundation 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 Foundation also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Foundation 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 Foundation’s incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Foundation 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 statement of income and expenses on a straight-line basis over the lease term.

Accounting policy applicable before 1 January 2019

The Foundation as a lessee

Operating leases

Leases are treated as operating leases. Where the Foundation is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.5 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Foundation 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 accounts receivable 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 Foundation'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 statement of income and expenses are presented within finance costs, finance income or other financial items, except for impairment of accounts receivable which is presented within other expenses. A summary of the Foundation's financial assets by category is given in note 13.1.

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 Foundation's cash and cash equivalents, accounts receivable fall into this category of financial.

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”. This replaces IAS 39's “incurred loss model”.

Recognition of credit losses is no longer dependent on the Foundation first identifying a credit loss event. Instead the Foundation 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.

Accounts receivable

The Foundation makes use of a simplified approach in accounting for 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 Foundation uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Foundation has a small number of receivables with small value and these receivables are managed on an account basis, thus the Foundation assesses impairment of receivables on an individual basis.

Impairment loss based on the above is insignificant, thus no records were made in the financial statements.

Classification and measurement of financial liabilities

The Foundation's financial liabilities include accounts payable.

Accounts payable

Accounts payable are stated at fair value and subsequently stated at amortized cost.

3.6 Grants

Grants are not recognized until there is reasonable assurance that the Foundation 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 in the statement of income and expenses 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 in the statement of income and expenses in the period in which they become receivable.

3.7 Provisions

A provision is recognized in the statement of financial position when the Foundation has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash

flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.8 Income tax

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 Foundation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.9 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.

3.10 Revenue

Revenue arises mainly from provision of services and grants.

Contract revenues

Contract revenue includes consulting services, presentation and promotion services and provision of co-working areas.

To determine whether to recognize revenue, the Foundation 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 Foundation satisfies performance obligations by transferring the promised goods or services to its customers.

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

Consulting, training and other services

As soon as the outcome of a contract can be estimated reliably, revenue from consulting services is recognized in the statement of income and expenses in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to surveys of work performed. When the outcome of a consulting contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in the statement of income and expenses.

Grant revenues

Income from grants, donations and contributions is recognized when it is probable that those will be received and the income amount can be measured reliably.

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 in the statement of income and expenses in the period in which they become receivable.

4 Property and equipment

In thousand drams	Computer equipment	Fixture and fittings	Other	Total
<i>Cost</i>				
as of 1 January 2018	1,488	4,665	363	6,516
Additions	548	250	564	1,362
as of 31 December 2018	<u>2,036</u>	<u>4,915</u>	<u>927</u>	<u>7,878</u>
Additions	185	139	-	324
Disposals	-	-	(11)	(11)
as of 31 December 2019	<u>2,221</u>	<u>5,054</u>	<u>916</u>	<u>8,191</u>
<i>Accumulated depreciation</i>				
as of 1 January 2018	22	170	10	202
Charge for the year	238	611	121	970
as of 31 December 2018	<u>260</u>	<u>781</u>	<u>131</u>	<u>1,172</u>
Charge for the year	324	620	111	1,055
as of 31 December 2019	<u>584</u>	<u>1,401</u>	<u>242</u>	<u>2,227</u>
<i>Carrying amount</i>				
as of 31 December 2018	<u>1,776</u>	<u>4,134</u>	<u>796</u>	<u>6,706</u>
as of 31 December 2019	<u>1,637</u>	<u>3,653</u>	<u>674</u>	<u>5,964</u>

5 Right-of-use assets

In thousand drams	Building
<i>Cost</i>	
as of 1 January 2018	-
Additions	-
as of 31 December 2018	<u>-</u>
Adjustment on transition to IFRS 16	30,894
as of 31 December 2019	<u>30,894</u>
<i>Accumulated depreciation</i>	
as of 1 January 2018	-
Charge for the year	10,292
as of 31 December 2019	<u>10,292</u>
<i>Carrying amount</i>	
as of 31 December 2018	-
as of 31 December 2019	<u>20,602</u>

6 Lease liabilities

In thousand drams	As of 31 December 2019
Minimum lease payments, including:	
Less than 1 year	11,853
From 1 year to 2 years	12,841
	24,694
Less amount representing interest	2,191
Present value of minimum lease payments, including:	
Less than 1 year	12,239
From 1 year to 2 years	10,264
	22,503

As of 1 January 2019 the weighted average borrowing rate applied by the Foundation to discount its lease liabilities was 9.61%.

Interest expense accrued on lease liabilities for the year ended 31 December 2019 was drams 2,475 thousand and was included in "finance costs".

7 Deferred income

In thousand drams	As of 31 December 2019	As of 31 December 2018
Prepaid consulting services fee	4,930	-
Deferred income on projects	11,657	1,761
Other	-	181
	16,587	1,942
In thousand drams	2019	2018
Balance at the beginning of year	1,942	2,508
Cash received during the year	78,477	25,045
Credited to the statement of income and expenses	(63,832)	(25,611)
Balance at the end of the year	16,587	1,942

Prepaid consulting services fee will be recognised as revenue over the next year.

Cash received during the year represents mainly received grants at the amount of drams 46,691 thousand from Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (Eschborn, Germany) (GIZ) project funds as part of the contributions of the Federal Republic of Germany, which is co-financed by the European Commission on the basis of the Agreement between the Government of the Federal Republic of Germany and the Government of Republic of Armenia. This grant is intended exclusively for the payment of support to capacity, ecosystem building and achievement of Armenian Startup Academy.

8 Accounts payable

In thousand drams	As of 31 December 2019	As of 31 December 2018
Payables for goods and services received	3,376	6,196
Payables to employees	2,925	1,241
Taxes and duties payable	174	172
	6,475	7,609

The average credit period on purchase of certain goods and services is one month. No interest is charged on the accounts payable. The Foundation has financial risk management policies to ensure that all payables are paid within the credit timeframe.

Accounts payable are denominated in Armenian drams.

9 Contract revenue

In thousand drams	Year ended 31 December 2019	Year ended 31 December 2018
Provision of co-working areas	8,704	4,644
Presentation and promotion services	2,809	-
Consulting and training services	1,517	12,383
Other	1,459	1,080
	<u>14,189</u>	<u>18,107</u>

10 Other expenses

In thousand drams	Year ended 31 December 2019	Year ended 31 December 2018
Professional services	2,995	2,191
Office maintenance and utility costs	2,650	2,792
Travel costs	-	5,377
Other	2,504	436
	<u>8,149</u>	<u>10,796</u>

11 Income tax expense

In thousand drams	Year ended 31 December 2019	Year ended 31 December 2018
Current tax	171	633
	<u>171</u>	<u>633</u>

Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended 31 December 2019	Effective tax rate (%)	Year ended 31 December 2018	Effective tax rate (%)
Profit before taxation (under IFRSs)	(4,056)		(1,028)	
Tax calculated at a tax rate of 20% (2018: 20%)	(811)	20.00	(206)	20.00
(Non-taxable)/non-deductible items, net	982	(24.22)	839	(81.58)
Income tax expense	<u>171</u>	<u>(4.22)</u>	<u>633</u>	<u>(61.58)</u>

12 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.

12.1 Critical accounting estimates

The Foundation 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.

Right-of-use assets and lease liabilities

The value of right-of-use assets and lease liabilities is based on management estimates of lease terms as well as an incremental borrowing rate used to discount lease payments. When assessing the lease term, management considers all facts and circumstances that create the economic incentive for the Foundation to excise the option to extend the lease.

Changes in these factors could affect the estimated lease term and the reported value of right-of-use assets and lease liabilities.

13 Financial instruments

13.1 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 2019	As of 31 December 2018
<i>Amortized cost</i>		
Accounts receivable	225	353
Bank balances	17,267	5,696
	<u>17,492</u>	<u>6,049</u>

Financial liabilities

In thousand drams	As of 31 December 2019	As of 31 December 2018
<i>Amortized cost</i>		
Lease liabilities	22,503	-
Accounts payable	6,301	7,437
	<u>28,804</u>	<u>7,437</u>

14 Financial risk management

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

Financial risk factors

a) Market risk

The Foundation is exposed to market risk through its use of financial instruments and specifically to currency risk, which results from its operating activity.

Foreign currency risk

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

The exposure to currency exchange rates in 2019 was limited to bank balances denominated in US dollars at drams 2,686 thousand.

b) Credit risk

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

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

In thousand drams	As of 31 December 2019	As of 31 December 2018
<i>Financial assets at carrying amounts</i>		
Accounts receivable	225	353
Bank balances	17,267	5,696
	<u>17,492</u>	<u>6,049</u>

The credit risk is managed based on the Foundation's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks are managed by holding the cash only with major reputable financial institutions.

The Foundation mainly provides services on advance payment terms.

c) Liquidity risk

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

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

The Foundation's accounts payable are contractually due within two months.

The following table details the Foundation's remaining contractual maturity for its 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 Foundation can be required to pay. The table includes both interest and principal cash flows.

2019	Non- interest bearing	Lease liabilities	Total
Weighted average effective interest rate		9.61%	
Less than 1 year	6,301	11,853	18,154
From 1 year to 2 year	-	12,841	12,841
	<u>6,475</u>	<u>24,694</u>	<u>30,995</u>

The Foundation considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources and accounts receivable. The Foundation's cash resources and accounts receivable approximates the current cash outflow requirements.

15 Contingencies

15.1 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. Continuing with the robust expansion in 2018, annual economic growth remained strong in 2019. Main contributors to the economy were trade, services and manufacturing industries.

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

15.2 Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Foundation does not have full coverage for its plant facilities, 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.

15.3 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.

16 Related parties

The Foundation's related parties include its founders, members of the Board of Trustees (Board) and entities under common control, key management and others as described below.

16.1 Control relationships

The Foundation is controlled by its founders Hambarzum Kaghketsyan, Vazgen Hakobjanyan, Ashot Arzumanyan and by the Board.

16.2 Transactions with related parties

During the reporting year the Foundation 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 2019	Year ended 31 December 2018
<i>Founders</i>		
Acquisition of services	-	3,560
<i>Management</i>		
Provision of borrowings	140	500
Acquisition of services	-	300
Salaries and bonuses	9,947	9,755
<i>Entities under common control</i>		
Provision of services	2,992	-
Provided borrowings	700	-
Acquisition of services	-	21,366

In thousand drams

Outstanding balances	As of 31 December 2019	As of 31 December 2018
<i>Management</i>		
Accounts payable	1,719	1,031
<i>Entities under common control</i>		
Accounts payable	-	5,097