Financial Statements and
INDEPENDENT AUDITOR'S REPORT

“Armenian renewable resources and energy efficiency” Fund

December 31, 2022

Contents

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of "Armenian Renewable Resources and Energy Efficiency" Fund

Opinion

We have audited the accompanying financial statements of "Armenian Renewable Resources and Energy Efficiency" Fund (the "Fund"), which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss and other comprehensive income, 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 Fund as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Emphasis of Matter

We draw your attention to the fact, that the financial statements "Armenian Renewable Resources and Energy Efficiency" Fund for the year ended December 31, 2021 has been audited by other auditor, whose report dated June 24, 2022 expressed an unmodified opinion on those statements.

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.

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In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Albert Asatryan.

May 15, 2023

Albert Asatryan

Managing Partner
Director

Crowe and Asatryans LLC
Yerevan, Republic of Armenia

Board of Trustees

Statement of profit or loss and other comprehensive income

In KAMD	Note	As of 31 December 2022	As of 31 December 2021
Income from grants	4	61,278	90,392
Interest income	5	52,993	47,401
Income from services	6	88,370	140,925
Other income		17,404	13,148
		220,045	291,864
Project expenses	7	(85,271)	(114,619)
Administrative expenses	8	(212,813)	(189,369)
Provisions		(323)	(6,552)
Gain/(loss) from operating activities		(78,361)	(18,676)
Finance income	5	79,887	38,377
Finance expense	9	(28,707)	(32,431)
Other financial items	10	248,661	144,565
Profit/(loss) before income tax		221,480	131,835
Income tax expense		-	-
Profit/(loss) for the year		221,480	131,835
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		221,480	131,835

The financial statements were approved by the management of the Fund on May 15, 2023 by:

Karen Asatryan
Director

Gayane Barkhanajyan
Financial Manager

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 42.

Statement of financial position

In KAMD	Note	As of 31 December 2022	As of 31 December 2021
Assets			
Non Current assets			
Property and equipment	11	1,733	2,738
Right-of-use asset	12	25,819	34,425
Intangible assets	11	33	157
Receivables	13	679,474	1,076,293
Borrowings given	14	889,207	896,487
		1,596,266	2,010,100
Current assets			
Inventories		125,818	14,831
Trade and other receivables	13	583,594	598,699
Borrowings given	14	494,627	250,976
Deposits	15	973,092	922,839
Cash and cash equivalents	16	273,602	310,185
		2,450,734	2,097,531
Total assets		4,047,000	4,107,632
Net assets		285,758	64,279
Non-current liabilities			
Lease liabilities	17	20,403	30,342
Grants related to assets	18	123,821	1,599
Borrowings received	19	3,034,282	3,472,439
		3,178,506	3,504,381
Current liabilities			
Lease liability	17	9,939	9,473
Borrowings received	19	85,036	85,272
Trade and other payables	20	18,047	51,533
Deferred income	18	451,976	376,764
Provisions	21	17,739	15,930
		582,737	538,972
Total liabilities		3,761,242	4,043,353
		4,047,001	4,107,632

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 11 to 42.

Statement of cash flows

In KAMD	Year ended December 31, 2022	Year ended December 31, 2021
Cash flows from operating activities		
Profit/(loss) before income tax	221,479	131,835
Adjustments for:		
Depreciation	11,724	28,447
Finance expense	28,707	32,431
Finance income from borrowings given	(52,993)	(47,401)
Finance income from deposits	(79,887)	(38,377)
Income from grants	(61,278)	(90,392)
Changes in provision for expected credit losses	323	6,552
Unused holiday reserve	1,809	-
Foreign exchange (gain)/loss	(248,661)	(144,565)
Operating profit before working capital changes	(178,777)	(121,469)
Change in trade and other receivables	429,473	528,148
Change in inventories	(110,987)	6,105
Change in trade and other payables	(33,438)	(33,548)
Cash generated from operations	106,272	379,236
Interest paid	(25,084)	(27,708)
Net cash from operating activities	81,188	351,528
Cash flows from investing activities		
Acquisition of property and equipment	(1,989)	(4,634)
Repayments of term deposits/(term deposits invested), net	(140,313)	(503,164)
Grants received and return of grants, net	258,711	386,956
Interest income received	115,551	231,527
Repayments of borrowings/(borrowings provided), net	(239,127)	-93734
Net cash used in investing activities	(7,167)	16,951

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 11 to 42.

Statement of cash flows (continued)

In KAMD	Year ended December 31, 2022	Year ended December 31, 2021
Cash flows from financing activities		
Repayment of borrowings	(76,999)	(264,658)
Repayment of lease	(13,332)	(13,332)
Net cash from/(used in) financing activities	(90,331)	(277,990)
Net increase in cash and cash equivalents	(16,310)	90,489
Foreign exchange effect on cash	(20,274)	(7,279)
Cash and cash equivalents at the beginning of the year	310,186	226,976
Cash and cash equivalents at the end of the year	273,602	310,186

The statement of cash flow is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 42.

Notes to the financial statements

1 Nature of operations and general information

Armenia Renewable Resources and Energy Efficiency Fund (the "Fund") has been established in accordance with the resolution N 799 of the Government of the Republic of Armenia dated 28 April 2005. The founder of the Fund (the "Founder") is the Republic of Armenia.

The objectives of the Fund are to:

- facilitate investments in the energy efficiency and renewable energy sectors;
- promote the development of Armenian energy efficiency and renewable energy market;
- contribute to the reduction of adverse anthropogenic impact on the environment and human health;
- develop mechanisms aimed at increasing energy safety and reliability of energy system;
- when respective authority is received from the Ministry of Finance of the Republic of Armenia (the "MoF"), initiate credit and grant programs to promote the sector development on behalf of the MoF based on the agreements signed with the MoF.

On 30 July 2012 a new Agency agreement was signed between the Fund and the MoF, pursuant to resolution 174-N of the Government of the Republic of Armenia dated 16 February 2012, whereby the Fund agrees to implement Energy Efficiency and Renewable Energy Financing Project.

This project envisages the following components:

Component 1 Program funds are provided to the participant financial institutions to finance investments by qualifying beneficiaries in energy efficiency and renewable energy projects.

Component 2 The Fund makes energy efficiency investments in public buildings.

In 2022, the Foundation implemented the following programs:

• In order to become accredited with the Green Climate Fund (GCF), the Foundation received a grant in 2020 to improve the Fund's Operational Manual, as well as to develop two project briefs for submission to GCF funding. The cost of the project is 254,000 USD. After accreditation, the Fund will be able to implement up to 50 mln. US dollar-funded projects, as well as providing sub-grants. The completion of the accreditation process is planned for 2023.

• With the cooperation of the Armenian Renewable Energy and Energy Saving Fund and the French organization TRANSENERGIE, the program for the development of floating solar plants in Armenia was developed, as a result of which a grant of 800,000 euros was approved by the French government. The program was launched on February 25, 2021. A list of all lakes and artificial reservoirs in the territory of Armenia with their main characteristic data has been developed.

As a result of joint discussions with the Foundation and Transenergy Fund, the following reservoirs were selected: Azat reservoir (Ararat marz), Aparan reservoir (Aragatsotn marz) and Yerevanyan reservoir (Yerevan).
Based on these feasibility studies, Lake Yerevan was chosen as a suitable reservoir for the implementation of the project. A solar PV plant with an installed capacity of 151 kW was built in the reservoir, which will be connected to the electrical distribution network after receiving the electricity production license.

• Since 2017, the Renewable Energy and Energy Saving Fund of Armenia has started to implement the "Program for increasing the energy efficiency of the activities of legal and natural persons of non-gasified communities in Armenia", the purpose of which is to promote the investments of natural and legal persons in the field of renewable energy through financial structures.

During 2022, Fund provided loans of AMD 498.7 million to financial organizations, of which AMD 171.5 million was for financing electric cars (21 electric cars), and AMD 327.2 million was for solar.

• In May 2022, "Energy efficient regions. Implementation of energy saving mechanisms in public buildings and support for the development of "green energy" program. The cost of the project is 2,071,277 (grant from the "Eurasian Fund for Stabilization and Development "): 1,719,200 million US dollars, co-financing from the RA government: 352,077 US dollars).
During 2022 only 6,225,827 AMD were used from the grant funds, out of which 5,052,238 AMD were paid from the grant funds and 1,173,589 AMD were from co-financing funds of the RA government.

The legal address of the Fund is 1 Melik Adamyan Street, Yerevan, Republic of Armenia.

The number of employees as of December 31, 2022 was 21 (2021: 20).

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Currently, IFRS do not contain specific guidance for non-profit organizations and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where IFRS 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 IFRS, as detailed in the International Accounting Standards Board ("IASB") *Framework for Preparation and Presentation Financial Statements.*

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of certain financial instruments that are stated at present discounted value of future cash flows and property and equipment that are stated at their fair values.

2.3 Functional and presentation currency

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

These financial statements are presented in Armenian AMD (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 AMD has been rounded to the nearest thousand.

2.4 Use of estimates and judgement

The preparation of financial statements in conformity with IFRS 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 the note 20 to the financial statements.

2.5 New and amended IFRS standards that are effective for the current year

At the date of authorisation of these financial statements, the Fundapplied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Fund has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

IFRS Foundation Completed Projects	Effective Date	Application
Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to IFRS 9)	1 January 2022	Applied
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022	Applied
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases	1 January 2022	Applied
Subsidiary as a First-time Adopter (Amendment to IFRS 1)	1 January 2022	Applied
Taxation in Fair Value Measurements (Amendment to IAS 41)	1 January 2022	Applied
Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022	Applied

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

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

In accordance with the transitional provisions, the Fund applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application).

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Fund cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is als applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

IAS 41 Agriculture - Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Fund as it did not have assets in scope of IAS 41 as at the reporting date.

Reference to the Conceptual Framework - Amendments to IFRS 3

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The directors of the Funddo not anticipate that the application of these amendments will have a material impact on the Fund's financial statements.

New and revised IFRS standards in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS standards that have been issued but are not yet effective.

IFRS Foundation Completed Projects	Effective Date	Application
Amendments to IFRS 10. *"Consolidated Financial Statements"* and IAS 28. *"Investments in Associates and Joint Ventures"*: Sale or Contribution of Assets between an investor and its Associate or Joint Venture	Has not yet been set by the IFRS Board.	-
Amendments to IAS 1. *"Presentation of Financial Statements"*: Classification of Liabilities as Current or Non-current	1 January 2024	Retrospectively
Amendments to IAS 1. *"Presentation of Financial Statements"* and IFRS Practice Statement 2 (Making Materiality Judgements): Disclosure of Accounting Policies	1 January 2023	Prospectively
Amendments to IAS 8. *"Accounting Policies, Changes in Accounting Estimates and Errors"*: Definition of Accounting Estimates	1 January 2023	Prospectively
Amendments to IAS 12. *"Income Taxes"*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	Prospectively
IFRS 17. *"Insurance Contracts"*	1 January 2023	Prospectively

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The directors of the [Fund, Organisation] Fund do not anticipate that the application of these amendments will have a material impact on the [Fund's, Organisation's] Fund's financial statements.

2.6 Restatement of financial statements

The financial statements including the comparative information for prior periods are presented as if the correction had been made in the period in which such a necessity arose. Therefore, the amount of the correction that relates to each period presented is included in the financial statements of that period. The amount of the correction in the comparative financial statements of prior periods is made in the earliest period presented. However, the correction did not have any impact on the financial results of the prior periods.

3 Significant accounting policies

3.1 General conditions and first time adoption of IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") which were valid as of December 31, 2022.

The concepts of accounting policy were applied to each period presented in the financial statements.

Refer to note 2.5 for standards and interpretations that were issued, but were not yet effective and were not early adopted by the Fund.

The significant accounting policies applied for the preparation of the financial statements are presented below.

3.2 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historic cost in a foreign currency are not retranslated.

Bellow are presented foreign currency exchange rates according to Central Bank of Armenia.

	As of 31 December, 2022	As of 31 December, 2021
US dollar	393.57	480.14
EUR	420.06	542.61

Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

3.3 Property and equipment

Property and equipment stated at cost

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.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes directly attributable expenditures, site preparation, installation and assembly costs, professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Fund accounting policy. Buildings that are leasehold property are also included in property and equipment if they are held under a finance lease. Such assets are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, if shorter.

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 the statement of comprehensive income as incurred.

Depreciation is charged to the statement of comprehensive income 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 and construction	-	10-20 years
Machinery and equipment	-	1-8 years
Other	-	1-8 years

3.4 Leased assets

The Fundassesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Fundas a lessee

The Fund applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Fund recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Fund recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings and constructions - 8 years

If ownership of the leased asset transfers to the Fundat the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Fund recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Fund and payments of penalties for terminating the lease, if the lease term reflects the Fund exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Fund uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.5 Intangible assets

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

Amortization is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of the intangible assets, which is up to 10 years.

3.6 Inventories

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.

3.7 Financial instruments

This note provides information about the Fund's financial instruments, including:

- An overview of all financial instruments held by the Fund
- Accounting policies

Financial assets and financial liabilities are recognized in the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification of financial assets

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at fair value through profit or loss (FVTPL)

Classification of financial liabilities

- Financial liabilities at amortised cost
- Financial liabilities at fair value through profit or loss (FVTPL)

Financial assets at amortised cost

If debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at fair value through other comprehensive income (FVTOCI)

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at fair value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Financial liabilities at amortised cost

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Fund, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at "Fair value through other comprehensive income" (FVTOCI), the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Fund has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings (accumulated profit or loss).

Derecognition of financial liabilities

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Fund exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Fund accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: the carrying amount of the liability before the modification, and the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Impairment of financial instruments

The Fund recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of "Expected credit losses" (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3.8 Impairment

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.

3.9 Non-current assets classified as held for sale

If the Fund intends to sell non-current assets or Companys of assets, and if the sale is highly probable to be carried out within 12 months, the asset or Fund of assets is classified as held for sale and presented as such in the statement of financial position.

Assets classified as held for sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale and their fair value less costs to sell. They are not subject to depreciation or amortization. Held for sale assets, however, such as financial assets or deferred tax assets, are measured as usual.

Any profit or loss arising from the sale or revaluation of held for sale assets is included in "other income" or "other expense", respectively, in the statement of comprehensive income. Any revaluation surplus remaining in equity on disposal of the asset is transferred to the accumulated profit.

3.10 Provisions

A provision is recognized in the statement of financial position when the Fund 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.

3.11 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 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. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Fund is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

3.12 Revenue from contracts with customers

Revenue of the Fund arises from the contributions received, rendered services, interests on the borrowings provided by the Fund, etc.

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

For additional information about the Fund's accounting policies relating to revenue recognition see note 4.

4 Income from grants

In KAMD	Year ended December 31, 2022	Year ended December 31, 2021
Grants related to income	58,617	70,766
Grants related to assets	2,661	19,626
	61,278	90,392

5 Interest income

In KAMD	Year ended December 31, 2022	Year ended December 31, 2021
Interest gained from borrowings given	53,993	47,401
Interest gained from deposits and bank accounts	79,887	38,377
	132,880	85,778

6 Income from services

In KAMD	Year ended December 31, 2022	Year ended December 31, 2021
Consulting services	26,853	48,711
Energy services	61,517	92,214
	88,370	140,925

7 Project expenses

In KAMD	Year ended December 31, 2022	Year ended December 31, 2021
'Development Program for Solar Floating Photovoltaic Plants"	3,491	12,813
'Preparation Assistance Program"	46,927	53,023
"Energy efficiency project"	4,851	-
Creation to "Green Technologies in Armenia" support program of EBRD	11,055	-
Development program of "Electric accumulators" in Armenia	3,290	
Expert study program for "Financial and technical feasibility of biomass plants"	6,000	
Other	9,657	29,157
Depreciation and amortization of the property and equipment	-	19,626
	85,271	114,619

8 Administrative expenses

In KAMD	Year ended December 31, 2022	Year ended December 31, 2021
Compensation to employees	(182,583)	(162,872)
Depreciation and amortization	(1,565)	(2,400)
Lease expenses	(8,606)	(8,606)
Audit and consulting	(2,222)	(2,417)
Office expenses	(3,924)	(3,680)
Telecommunication expenses	(1,470)	(1,811)
Banking and insurance expenses	(7,273)	(979)
Other	(5,170)	(6,603)
	(212,813)	(189,369)

9 Financial expenses

In KAMD	Year ended December 31, 2022	Year ended December 31, 2021
Financial expenses on borrowings	24,849	27,590
Financial expenses on lease	3,858	4,841
	28,707	32,431

10 Other financial items

In KAMD	Year ended December 31, 2022	Year ended December 31, 2021
Gain/(loss) from financial assets at fair value through profit and loss – classified as held for trading		
- Cash and cash equivalents	17,389	36,573
- Trade and other receivables	795	379
- Trade payables	71	1,525
- Deposits	7,623	12,376
- Borrowings received	392,938	309,216
	418,816	360,069
Loss from exchange differences on		
- Cash and cash equivalents	(37,663)	(44,447)
- Trade and other receivables	(1,989)	(11)
- Trade payables	(23)	(1,490)
- Deposits	(98,700)	(41,725)
- Borrowings received	(31,780)	(127,831)
	(170,155)	(215,504)
	248,661	144,565

11 Property and equipment

In KAMD	Equipments and machinery	Office equipments	Motor vehicles	Other	Intangible assets	Total
Cost						
As of 1 January 2021	294,605	19,134	29,470	18,592	19,659	381,460
Additions	91	75	-	3,863	605	4,634
Disposals	-	-	-	-	(11,139)	(11,139)
As of 31 December 2021	294,696	19,209	29,470	22,455	9,125	374,955
Additions	1,125	-	255	547	62	1,989
Disposals	-	-	-	-	(605)	(605)
As of 31 December 2022	295,821	19,209	29,725	23,001	8,582	376,338
Accumulated depreciation and impairment						
As of 1 January 2021	(277,189)	(19,093)	(29,470)	(18,299)	(19,308)	(363,359)
Current year depreciation expense	(17,470)	(70)	-	(1,502)	(799)	(19,841)
Disposals	-	-	-	-	11,139	11,139
As of 31 December 2021	(294,659)	(19,163)	(29,470)	(19,801)	(8,968)	(372,061)
Current year depreciation expense	(947)	(47)	(76)	(1,862)	(186)	(3,119)
Disposals	-	-	-	-	606	606
As of 31 December 2022	(295,606)	(19,209)	(29,546)	(21,663)	(8,548)	(374,573)
Carrying amount						
At 1 January 2021	17,417	41	-	293	352	18,101
At 31 December 2021	38	46	-	2,654	157	2,895
At 31 December 2022	215	-	179	1,338	34	1,766

No any restrictions on fixed assets. Fixed assets are not under the pledge

12 Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

In KAMD	Buildings	Total
Carrying amount		
As of 1 January, 2021	43,032	43,032
Additions	-	-
Current year depreciation expense	(8,606)	(8,607)
As of 31 January, 2021	34,426	34,426
Additions	-	-
Current year depreciation expense	(8,607)	(8,607)
As of 31 January, 2022	25,819	25,819

13 Trade and other receivables

	Non-current		Current	
In KAMD	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2021
Trade receivables	681,744	1,079,889	559,616	593,361
Provision for expected debt losses	(2,270)	(3,596)	(1,964)	(2,267)
Prepayments			4,088	4,712
Receivables from state budget			12,816	2,379
Other receivables			9,038	514
	679,474	1,076,293	583,594	598,699

According to the resolution No. 174-N of the Government of the Republic of Armenia dated February 16, 2012 and the agency contract concluded between the Fund and the Ministry of Finance of the Republic of Armenia in 2012, the Ministry of Finance of the Republic of Armenia has transferred cash resources to the Fund under its custody to further finance the implementation of energy efficiency and renewable energy project. These resources were provided to the Fund at the interest rate of 0.75% and with the maturity period until 2045.

These resources are recognized in the statement of financial position as borrowings received, and the accrued interest expenses on these funds received are presented in the statement of profit or loss and other comprehensive income as finance costs.
The Fund implements the "Energy Efficiency Project" using the resources received in its custody from the Ministry of Finance of the Republic of Armenia as well as those received from the Grant agreement TF012163 concluded between the International Bank for Reconstruction and Development and the Government of the Republic of Armenia on 20 April 2012. In the framework of the Project the Fund makes investments in public facilities in the form of rendering of services, which consist of two components:

a) energy efficiency investments; and
b) energy services.

These services are provided by the Fund as follows:

- the Fund selects beneficiaries (public facilities), which have functional and realistic mechanisms available to secure the timely redemption of the borrowed resources. Then the Fund concludes contracts with contractors, which oblige the contractors to implement construction works in the public facilities selected in advance to ensure the defined energy efficiency level (component 1-energy efficiency investments);
- the Fund implements preparation, investigation in the energy sector, procurement, financial management, monitoring, energy efficiency measurements and assurances, as well as other services in relation to "Energy Efficiency Project" (component 2-power services).

In order to implement energy efficiency services, the Fund, signs contract with the contractor for construction works, and at the same time concludes energy efficiency services provision contract with the beneficiary (public facilities). This contract defines the cost of energy efficiency services (energy efficiency investments and energy services) rendered by the Fund, as well as the redemption schedule for the deferred payments of this cost. As a result, in the statement of financial position the Fund recognizes receivables on the services of energy efficiency (energy efficiency investments) in relation to the component 1.
The Fund recognizes the receivables on energy services in relation to the component 2, when the services are provided. Income from energy services is presented in the statement of profit or loss and other comprehensive income under income from services.

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

14 Borrowings given

	Non-current		Current	
In KAMD	As of 31 December 2022	As of 31 December 2021	As of 31 December 2022	As of 31 December 2021
Acba Bank OJSC	313,258	273,978	173,765	85,899
AGBA Leasing CJSC	223,986	228,529	130,521	70,855
Global Credit UCO CJSC	178,282	292,664	115,350	70,946
Agroleasing Leasing Credit LLC	74,533	47,950	30,745	10,493
Armenia Leasing UCO CJSC	37,700	34,595	25,228	9,914
Evocabank CJSC	63,983	19,261	22,231	4,210
Fast Bank CJSC	7,169	9,303	2,174	1,389
Provision for expected debt losses	(9,704)	(9,793)	(5,387)	(2,730)
	889,207	896,487	494,627	250,976

15 Deposits

In KAMD	As of 31 December 2022	As of 31 December 2021
Deposits in commercial banks in RA	981,918	932,293
Provision for expected debt losses	(8,826)	(9,454)
	973,092	922,839

16 Cash and cash equivalents

In KAMD	As of 31 December 2022	As of 31 December 2021
Bank accounts	273,602	310,185
	273,602	310,185

17 Lease liabilities

Set out below are the carrying amounts of lease liabilities (included Lease liability) and the movements during the period:

In KAMD	As of 31 January, 2022	As of 31 January, 2021
Opening balance	39,815	48,306
Additions	-	-
Accretion of interest	3,859	4,841
Payments	(13,332)	(13,332)
Closing balance	30,342	39,815
Current	9,939	9,473
Non Current	20,403	30,342
Closing balance	30,342	39,815

The following are the amounts recognised in profit or loss:

In KAMD	Year ended December 31, 2022	Year ended December 31, 2021
Depreciation expense of right-of-use assets	8,607	8,607
Interest expense on lease liabilities	3,859	4,841
Expense relating to short-term leases (included in cost of sales/OPEX)	-	-
Expense relating to leases of low-value assets (included in administrative expenses)	-	-
Variable lease payments (included in cost of sales)	-	-
	12,466	13,447

18 Deferred income

In KAMD	As of 31 December 2022	As of 31 December 2021
Non current		
Deferred revenue from grants related to assets	123,821	1,599
	123,821	1,599
Current		
Deferred revenue from grants related to income	451,976	376,764
	451,976	376,764
	575,797	378,363

In KAMD	As of 31 December 2022	As of 31 December 2021
Opening balance	378,363	81,802
Received during the year	384,738	388,552
Recognized during the year	(187,304)	(91,991)
Closing balance	575,797	378,363

19 Borrowings received

In thousand AMD	Non-current		Current	
Loans: calculated at amortized cost				
The Ministry of Finance of the RA	3,034,282	3,472,439	85,036	85,272
	3,034,282	3,472,439	85,036	85,272

In thousand AMD	Amounts provided before December 2022	Maturity date	Interest rate	As of December 31, 2022	As of December 31, 2021
The Ministry of Finance of the RA	1,740,568	10.11.2045	0.75%	1,462,353	1,529,961
The Ministry of Finance of the RA	4,846,628	10.11.2045	0.75%	1,656,965	2,027,750
	6,587,196			3,119,318	3,557,711

20 Trade and other payables

In KAMD	As of 31 December 2022	As of 31 December 2021
Trade payables	309	10,783
Advances received	11,568	34,356
Payables to state budget	5,031	5,216
Payables to employees	840	813
Other	299	366
	18,047	51,534

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

21 Reserves

In KAMD	As of 31 December 2021	Additions	Disposals	As of 31 December 2022
Unused vacation reserve	15,930	1,809	-	17,739
	15,930	1,809	-	17,739

In KAMD	As of 01 January 2021	Additions	Disposals	As of 31 December 2021
Unused vacation reserve	15,616	15,930	15,616	15,930
	15,616	15,930	15,616	15,930

22 Subsequent events

There were no subsequent events after accounting period, which must be adjusted or disclosed in this financial statement.

23 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.

23.1 Critical accounting estimates

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Critical accounting estimates mainly refer to property, plant and equipment's useful life.

24 Financial instruments

24.1 Significant accounting policies

This note provides information about the Fund's financial instruments, including:

- specific information about each type of financial instrument
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

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

Financial assets

In KAMD	As of 31 December 2022	As of 31 December 2021
Financial assets at amortised cost		
- Cash and cash equivalents	273,602	310,185
- Deposits	973,092	922,839
- Borrowings given	1,383,834	1,147,464
- Trade and other receivables	1,263,068	1,674,992
	3,893,597	4,055,480

Financial liabilities

In KAMD	As of 31 December 2022	As of 31 December 2021
Financial liabilities at amortised cost		
- Lease liabilities	30,342	39,815
- Borrowings received	3,119,317	3,557,712
- Trade payables	18,047	51,533
	3,167,706	3,649,060

24.2 Financial risk management objectives

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

The Fund does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Fund is exposed are described below.

24.3 Financial risk factors

a) Market risk

The Fund is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Foreign currency risk

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

Most of the Fund's transactions are carried out in Armenian AMD. Exposures to currency exchange rates arise from the Fund's overseas sales and purchases, which are primarily denominated in US dollars and Euro.

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

Item			
As of December 31, 2022	USD	EUR	Total
Financial assets			
Trade receivables	3,835	444	4,280
Cash and cash equivalents	144,431	47,820	192,250
	148,266	48,264	196,530
Financial liabilities			
Borrowings received	1,622,160	-	1,622,160
Deferred income	237	120,751	120,989
	1,622,397	120,751	1,743,148
Net result	(1,474,131)	(72,487)	(1,546,618)

Item			
As of December 31, 2021	USD	EUR	Total
Financial assets			
Trade receivables	39,357	-	39,357
Cash and cash equivalents	91,995	8,966	100,961
	131,352	8,966	140,318
Financial liabilities			
Borrowings received	1,660,309	-	1,660,309
	1,660,309	-	1,660,309
Net result	(1,528,958)	8,966	(1,519,991)

The following table details the Fund's sensitivity to a 10% (2020: 10%) increase and decrease in dram against US dollar. 10% (2020: 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% (2020: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Euro by 10% (2020: 10%) then this would have had the following impact:

	US dollar impact		EUR impact	
	2022	2021	2022	2021
Profit or loss	(147,413)	(152,896)	(7,249)	(151,999)
	(147,413)	(152,896)	(7,249)	(151,999)

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Fund. The effect of this risk for the Fund arises from different financial instruments, such as accounts receivable, amounts due from institutions under borrowing, etc.

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

In KAMD	As of 31 December 2022	As of 31 December 2021
Carrying amount of financial assets		
- Trade and other receivables	1,263,068	1,674,992
- Deposits	973,092	922,839
- Borrowings given	1,383,834	1,147,464
- Cash and cash equivalents	273,602	310,185
	3,893,597	4,055,480

At the reporting date there was no significant concentration of credit risk in respect of trade and other receivables.

c) Liquidity risk

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

The Fund'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 Fund'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 Fund can be required to pay. The table includes both interest and principal cash flows.

2022	Non-interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)			
Less than 6 months	18,047	-	18,047
6 months to 1 year	-	-	-
1-5 years	-	-	-
More than 5 years	30,342	3,119,317	3,149,659
	48,389	3,119,317	3,167,706

2021	Non-interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)			
Less than 6 months	51,533	-	51,533
6 months to 1 year	-	-	-
1-5 years	-	-	-
More than 5 years	39,815	3,557,712	3,597,527
	91,348	3,557,712	3,649,060

24.4 Capital risk management

The Fund management reviews the capital structure on a regular basis to maintain the most optimal debt to equity balance, which is analyzed by calculating gearing ratio (net debt divided by total capital), as follows

In thousand AMD	As of 31 December, 2022	As of 31 December, 2021
Total borrowings	3,119,117	3,557,712
Less: cash and bank balances	273,602	310,185
Net debt	2,845,715	3,247,526
Total capital	285,758	64,279
	3,131,473	3,311,805
Gearing ratio (Net debt to equity ratio)	0.91	0.98

24.5 Fair value measurements recognized in the statement of financial position and fair value hierarchy

Some of the Fund's, assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Fund, determines the appropriate valuation techniques and inputs for fair value measurements.

In KAMD	Fair value hierarchy measurement			
Description	As of December 31, 2022	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Trade and other receivables	1,263,068	1,263,068	-	-
Deposits	973,092	-	973,092	-
Borrowings given	1,383,834	-	1,383,834	-
Cash and cash equivalents	273,602	273,602	-	-
	3,893,597	1,536,671	2,356,927	-

In KAMD	Fair value hierarchy measurement			
Description	As of December 31, 2022	Level 1	Level 2	Level 3
Financial liabilities measured at fair value				
Lease	30,342	-	30,342	-
Borrowing received	3,119,317	-	3,119,317	-
Trade payables	18,047	18,047	-	-
	3,167,706	18,047	3,149,659	-

In KAMD	Fair value hierarchy measurement			
Description	As of December 31, 2021	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Trade and other receivables	1,674,992	1,674,992	-	-
Deposits	922,839		922,839	-
Borrowings given	1,147,464		1,147,464	-
Cash and cash equivalents	310,185	310,185	-	-
	4,055,480	1,985,178	2,070,303	-

In KAMD	Fair value hierarchy measurement			
Description	As of December 31, 2021	Level 1	Level 2	Level 3
Financial liabilities measured at fair value				
Lease	39,815	-	39,815	-
Borrowing received	3,557,712	-	3,557,712	-
Trade payables	51,533	51,533	-	-
	3,649,060	51,533	3,597,527	-

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

25 Contingencies

25. 1 Business environment

The political and economic changes implemented in Armenia are continuous. As a developing market, Armenia lacks the perfect business environment and appropriate infrastructures that typically exist in countries with a free market economy. In addition, economic conditions continue to limit the volume of operations in the financial markets, and the fair values of financial instruments may not correspond to the transactions executed. The main obstacle to further economic development is the low level of economic and institutional development, combined with regional instability and centralized economic support, as well as the international economic crisis. The deterioration of the state of the economies of the countries cooperating with the Republic of Armenia has led to the reduction of remittances from abroad, on which the economy of Armenia is highly dependent. The further decline in the international prices of mineral products, uncertainties due to the possibilities of attracting direct capital investments, inflation may lead to the deterioration of the Armenian economy, as well as the condition of the Fund. However, as many judgments and assumptions are involved in these uncertainties, management cannot estimate with certainty the extent to which they may affect the residual value of the Fund's assets and liabilities.

The management of the Fund believes that under the current conditions appropriate measures are being implemented in order to ensure the economic stability of the Fund.

25.2 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 Funddoes 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 Fundproperty or relating to the Fundoperations. Until the Fundobtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse affect on the Fund's operations and financial position.

25.3 Taxes

The taxation system in Armenia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. 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 severe fines and penalties.

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

26 Related party transactions

The Fund's related parties include its founder.

26.1 Transactions with related parties

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

Borrowings received

In KAMD	As of 1 January 2022	Additions	Disposals	As of 31 December 2022
The Ministry of Finance of the RA	3,557,712	180,168	(618,562)	3,119,317
	3,557,712	180,168	(618,562)	3,119,317

27 Transactions with management and close family members

Key management received the following remuneration during the year, which is included in "employee compensations".

In KAMD	As of 31 December 2022	As of 31 December 2021
Salaries and bonuses, including contributions to social state fund	19,333	25,033
	19,333	25,033

28 Net assets attributable to Founder

The net assets attributable to the Foundation is the difference between the Foundation's assets and liabilities, which resulted from the recognition of the financial expenses of the reporting period for the expenses incurred by the founders for the implementation of the statutory objectives. As noted in Note, IFRS currently do not contain specific guidance on accounting and financial reporting for non-profit and non-governmental organizations. Based on the above, as well as taking into account the usefulness of the disclosed information for the users of these financial statements, the management of the Fund considers it appropriate to present the movement of net assets attributable to the founder:

In KAMD	Net assets
As of 1 January, 2021	(67,558)
Result for the year	131,835
As of 31 December, 2021	64,277
Result for the year	221,456
As of 31 December, 2022	285,732