

ARMENIAN TERRITORIAL DEVELOPMENT FUND

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
for the year ended 31 December 2019

TABLE OF CONTENT

	Page
Independent Auditor's Report	3
Statement of financial position	5
Statement of comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9

Fund address:	31 K. Ulnetsi Street, Yerevan, 0037, Republic of Armenia
Legal form:	Foundation
Principal activities	The principal activities of the Foundation is presented in the 1 st note
Executive director	Artur Soghomonyan

INDEPENDENT AUDITOR'S REPORT

To the Management of the Armenian Territorial Development Fund

Opinion

We have audited the accompanying financial statements of "Armenian Territorial Development Fund" ("ATDF" or "Fund") which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ATDF as at 31 December 2019, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). 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 ATDF 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 requirements in accordance with 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

Without modifying our opinion, we draw your attention to Note 14 of the financial statements, which describes the uncertainty related to the COVID-19 outbreak after the events subsequent to the reporting date.

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

Management of the ATDF 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 Fund's ability to continue as 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 operation, 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 Responsibility 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 high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

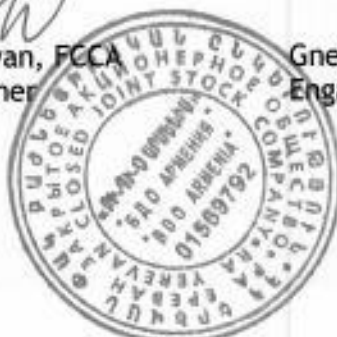
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 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 management 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.

"BDO Armenia" CJSC
1 July 2020

Vahagn Sahakyan, FCCA
Managing Partner

Gnel Khachatryan, FCCA
Engagement Partner



BDO

Armenian Territorial Development Fund
Statement of financial position
As at 31 December 2019

	Note	As at 31.12.2019 USD	As at 31.12.2018 USD
ASSETS			
Non-current assets			
Property and equipment	3	75,761	126,972
Funds receivable	4	150,910,172	163,679,456
Total non-current assets		150,985,933	163,806,428
Current assets			
Prepayments	5	2,381,406	3,024,241
Cash and cash equivalents	6	20,195,173	29,049,161
Other		-	812,122
Total current assets		22,576,579	32,885,524
TOTAL ASSETS		173,562,512	196,691,952
LIABILITIES AND EQUITY			
Equity			
Founders' contribution	7	151,631	151,631
Accumulated surplus/(deficit)		6,795	(155,989)
Total equity		158,426	(4,358)
Non-current liabilities			
Government grants	8	172,129,898	195,168,498
Total non-current liabilities		172,129,898	195,168,498
Current liabilities			
Accounts payable	9	1,274,188	715,701
Other		-	812,111
Total current liabilities		1,274,188	1,527,812
TOTAL LIABILITIES AND EQUITY		173,562,512	196,691,952

The financial statements were approved by the management of the Armenian Territorial Development Fund on 1 July 2020 and signed on its behalf. The accompanying notes form an integral part of these financial statements.

[Signature]

Artur Soghomonyan
Executive Director



Levon Dulyan
Finance and Administrative Director

[Signature]

Armenian Territorial Development Fund
Statement of comprehensive income
As at 31 December 2019

	Note	2019 USD	2018 USD
Cost of the Projects	10	(24,090,010)	(19,231,713)
Income from Grants	8	24,090,010	19,231,713
Other income/(expense), net		97,385	93,551
Exchange gain/(loss), net		81,430	(38,706)
Results of the year before income tax		178,815	54,845
Income tax		(16,031)	(26,298)
Results of the year		162,784	28,547
Other comprehensive income		-	-
Comprehensive result for the year		162,784	28,547

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Artur Sghomonyan
Executive Director

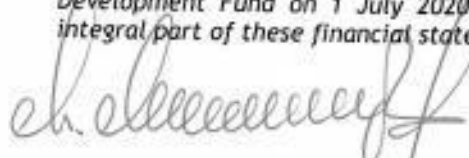
Levon Dulyan
Finance and Administrative Director



Armenian Territorial Development Fund
Statement of changes in equity
For the year ended 31 December 2019

	Founders contribution USD	Accumulated surplus/ (deficit) USD	Total USD
As at 1 January 2018	151,631	(184,536)	(32,905)
Results of the year	-	28,547	28,547
As at 31 December 2018	151,631	(155,989)	(4,358)
Results of the year	-	162,784	162,784
As at 31 December 2019	151,631	6,795	158,426

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Artur Sghomonyan
Executive Director


Levon Dulyan
Finance and Administrative Director



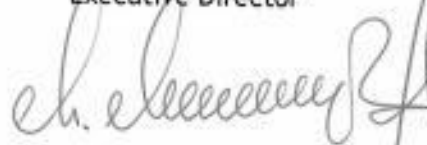
Armenian Territorial Development Fund
Statement of cash flows
For the year ended 31 December 2019

	2019 USD	2018 USD
Operating cash flows		
Funds received/(refunded)		
Urgent projects	760,965	7,656,104
SILD	5,247,760	6,770,401
LEID	4,405,012	2,311,786
SDC Grant	-	2,153,638
USAID Grant	890,830	1,624,103
SSIP	1,184,307	689,969
Jermuk project -2	-	1,441,622
Jermuk project -1	-	(115,829)
School furniture for SSIP project	122,509	-
Water-supply project in RA marzes	611,598	-
Gasification project	603,025	-
Other	37,004	127,482
	13,863,010	22,659,276
Project expenditures		
Urgent projects	(5,366,630)	(81,599)
SILD	(5,157,410)	(7,175,121)
LEID	(3,658,452)	(1,987,610)
SDC Grant	(64,917)	(2,310,280)
US USAID Grant	(903,918)	(1,565,636)
SSIP	(7,016,732)	(4,139,254)
Jermuk project -2	(479,295)	(97,081)
Jermuk project -1	(83,183)	(1,229,909)
School furniture for SSIP project	-	-
Water-supply project in RA marzes	-	-
Gasification project	-	-
Other	(51,353)	(40,848)
	(22,781,890)	(18,627,338)
Other operating cash flows (net)	(55,891)	-
Total Operating cash flows	(8,974,770)	4,031,938
Exchange gain/(loss) on cash	120,782	32,755
Net cash flows	(8,853,988)	4,064,693
Opening cash balance	29,049,161	24,984,468
Closing cash balance	20,195,173	29,049,161

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Artur Soghomonyan
Executive Director

Levon Dulyan
Finance and Administrative Director




1. Background

1.1 *The foundation and its objectives*

The Armenian Territorial Development Fund (ATDF) is the legal successor of Armenian Social Investment Fund (ASIF) since 2015. The ATDF operates based on the new Charter since 4 August 2015, and continues ordinary activities of the ASIF.

The ASIF has been established by a Decree N 162 dated 11.04.2000 of the Government of the Republic of Armenia, the sole founder, as an autonomous non-profit agency to assist in the rehabilitation of small-scale infrastructure through community initiated and demand-based activities. It was registered in accordance with resolution N 988 of the Ministry of Justice of the Republic of Armenia dated on 13 September 2000.

The ATDF registered address is: 31 K. Ulnetsi Street, Yerevan, 0037, Republic of Armenia.

The ATDF implements projects related to:

- welfare development of population through improving quality and accessibility of social and economic infrastructure and public services, employment, investment activity,
- Institutional and financial strengthening of regions of the Republic of Armenia.:

The projects are financed by the Government of the Republic of Armenia through funds received from international donors, the largest creditor being International Development Association (IDA), International Bank of Reconstruction and Development (IBRD) and Asian Development Bank (ADB).

The Projects are co-financed by:

- Government of the Republic of Armenia,
- Local Communities,
- Other Sponsors.

1.2 *The implemented projects*

The major projects implemented by ATDF/ASIF since its incorporation are ASIF I, ASIF II, ASIF III, SILD, SSIP and LEID projects with objective to raise the living standards of the poor and vulnerable groups in the Republic of Armenia through:

- a) improving the quality and access, and increasing the coverage of community infrastructure and services in poor communities, and for the most vulnerable groups in response to critical emerging needs; and
- b) promoting complementary institutional capacity building at the community and municipal level so as to improve the quality and sustainability of service delivery and municipal investments, increase accountability, and enhance greater stakeholder empowerment at local level.

In year ended 31.12.2019, the ATDF implemented the following projects:

- "SILD" - "Social Investment and Local Development Project", financed by the Loan Agreement IBRD Loan Number 8483-AM dated 8 April 2015 between the Republic of Armenia and the IBRD, in the amount of 30,000,000 USD. The objective of the project is to improve quality and use of and access to community and inter-community infrastructure.

The Closing date for the Loan Number 8483-AM financing is set on 31 December 2021.

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

- “SSIP” - “Seismic Safety Improvement Program”, financed by Loan Agreement ADB Loan 3284-ARM dated 19 October 2015 between the ADB and the Republic of Armenia, in the amount of 83,600,000 USD. The objective of the project is to build earthquake-resilient schools and improve ability of responding to natural disasters.

The closing date of the SSIP project is set on 31 May 2024.

- “USAID Grant” - “Territorial Management Reform” project, financed by Implementation Letter dated 10 August 2015 between USA International Development Agency (USAID) and ATDF, in the amount of 8,600,000 USD. The objective of the project is funding inter-community projects in 14 pilot combined communities.

The closing date of the project is set on 10 August 2020.

- “LEID” - “Local Economy and Infrastructure Development Project”, financed by the Loan Agreement IBRD Loan Number 8572-AM dated 23 February 2016 between the Republic of Armenia and the IBRD, in the amount of 55,000,000 USD. The Project objective is to improve infrastructure services and institutional capacity for increased tourism contribution to local economy in selected regions of Armenia (i.e. Kotayk, Vayots Dzor, Syunik, Lori, Armavir, Ararat). In particular, the proposed Project will support business environment and investment climate for Small and Medium-sized Enterprises (SME) creation, growth, and innovations.

The Project became effective on 29 December 2016. The Project related activities commenced from 21 April 2017. The Closing date for the Loan Number 8572-AM financing is set on 31 March 2023.

- “SDC Grant” - “Social Investment and Local Development SDC” project dated 23 September 2016, financed by the Swiss Agency for Development and Cooperation (SDC), and countersigned on 13 October 2016 between the Republic of Armenia and IBRD in the amount of 2,428,300 USD. The objective of the project is to improve capacities of municipalities in Southern Armenia to provide sustainable public infrastructure and services to their citizens.

The Project became effective on 2 February 2017. The Project related activities commenced from 15 March 2017. The closing date of the project is set on 30 April 2019.

- The project of resolving of the priority issues in Jermuk community of Vayots Dzor region, financed by the State budget of the Republic of Armenia, in the amount of 1,190,693.5 thousand AMD.
- The project of pole design of regional development in Jermuk community of Vayots Dzor region, financed by the State budget of the Republic of Armenia, in the amount of 679,940 thousand AMD.
- The project of resolving priority issues in the regions of Armenia, financed by the State budget of the Republic of Armenia, in the amount 3,657,994.3 thousand AMD.
- Acquiring design-research documents on water-supply system renovations in the regions of Armenia, financed by the State budget of the Republic of Armenia, in the amount 296,572.6 thousand AMD.

- Gasification of Lehvaz village, non-gasification areas of towns Megri and Agarak of RA Syunik marz, financed by the State budget of the Republic of Armenia, in the amount 289,150.4 thousand AMD.
- Supply of furniture to schools build under the scope Seismic Safety Improvement Project (SSIP), financed by the State budget of the Republic of Armenia, in the amount 58,489.5 thousand AMD.

2. Summary of significant accounting policies

2.1 Bases of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) within the International Federation of Accountants (IFAC).

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

a) New standards, interpretations and amendments effective from 1 January 2019

- IFRS 16 Leases (IFRS 16);
- IFRIC 23 Uncertainty over income tax treatment (IFRIC 23).

None of the amendments to Standards that are effective from that date had a significant effect on the Fund's financial statements.

b) New standards, interpretations and amendments not yet effective

There were no new standards, interpretations and amendments that are not yet effective that will have or may have an impact on the Company's future financial statements.

2.2 Basis of measurement

These financial statements are prepared on the historical cost basis.

2.3 Functional and presentation currency

The ATDF's functional currency is the national currency of the Republic of Armenia, Dram (AMD). The presentation currency of these financial statements is United States Dollar (USD).

2.4. Significant accounting estimates and judgments

The Fund makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual experience may differ from those estimates and assumptions. In the reporting year, there are no estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Measurement of fair values

A number of assets and liabilities included in the Fund's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Fund's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.

2.5. Financial instruments - Risk Management

During its natural activity, the Fund is exposed to various financial risks such as.

- credit risk
- liquidity risk

In common with all other businesses, the Fund is exposed to risks that arise from its use of financial instruments. This note describes the Fund's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Fund's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) Principal financial instruments

The principal financial instruments used by the Fund, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Trade payables.

(b) Financial instruments by category

<i>Financial assets</i>	Measured at amortized cost	
	31.12.2019	31.12.2018
	USD	USD
Funds receivable	159,910,172	163,679,456
Cash and cash equivalents	20,195,173	29,049,161
	171,105,345	192,728,617

<i>Financial liabilities</i>	Financial liabilities at amortized cost	
	2019	2018
	USD	USD
Trade payables	1,274,189	715,703
	1,274,189	715,703

(c) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other payables approximates their fair value.

For details of the fair value hierarchy, valuation techniques, and significant unobservable inputs related to determining the fair value, which are classified in level 3 of the fair value hierarchy, refer to appendix A.

General objectives, policies and processes

The overall management of the Fund's activities is carried out by the Board of Trustees. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without disruption of the Fund's activities. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Fund is mainly exposed to credit risk, which arises from cash and cash equivalents held by banks.

Liquidity risk

Liquidity risk arises from the Fund's finance charges and principal repayments on its debt instruments. It is the risk that the Fund will encounter difficulty in meeting its financial obligations as they fall due.

The Fund's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements.

The following table sets out the Fund's contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 1 month USD	Between 1 and 3 months USD	Between 3 and 12 months USD	Between 1 and 5 years USD	Over 5 years USD
At 31 December 2019					
Trade and other payables	13,331	76,015	249,073	935,770	-
	<u>13,331</u>	<u>76,015</u>	<u>249,073</u>	<u>935,770</u>	<u>-</u>
At 31 December 2018					
Trade and other payables	4,651	163,516	308,908	238,626	-
	<u>4,651</u>	<u>163,516</u>	<u>308,908</u>	<u>238,626</u>	<u>-</u>

2.6. Foreign currency transactions

Foreign currency is a currency other than the functional currency of the ATDF.

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

Transactions in foreign currencies are translated to functional currency at exchange rates at the dates of the transactions. Settlement rate of foreign currency over functional currency established by the Central Bank of the Republic of Armenia is taken as the exchange rate.

The ATDF's accounts are maintained and transactions are mainly made in USD and Armenian Drams (AMD). Transactions denominated in local currency are translated into USD as follows:

- Contributions of the Republic of Armenia expressed in AMD are presented in USD at the official exchange rate defined by the Central Bank of Armenia at the date of transfer.
- Payments to contractors and suppliers expressed in AMD are presented in USD at the exchange rates defined by the CBA at the date of payment.

The exchange rate defined by the CBA as at 31 December 2018 is: USD 1= 483.76 AMD,
The exchange rate defined by the CBA as at 31 December 2019 is: USD 1= 479.70 AMD.

2.7. Government grants

Grants from the government in return for past or future compliance with certain conditions relating to operating activities of ATDF are recognized at their fair value where there is reasonable assurance that:

- a) the ATDF will comply with the conditions attached to them; and
- b) the grants will be received:

Government grants relating to the purchase of property, plant and equipment are deferred and are recognized in the income statement on a straight line basis over the expected lives of the related assets. Grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.8 Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalized and the replaced part is retired.

Depreciation is calculated on a straight-line basis in accordance with the following annual depreciation rates:

Machinery and equipment	20%
Transportation means	20%
Operational fixtures	20%

2.9. Cash

Cash comprises of bank accounts balances.

2.10. Prepayments

Prepayments are carried at cost less provision for impairment. If there is an indication that the assets, goods or services relating to an advance will not be received, the carrying value of the advance is written down accordingly and a corresponding impairment loss is recognised in the income statement.

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

3. Property and equipment

Property and equipment represent fixed assets acquired in the scope of the implemented projects for use at ATDF.

								USD
Projects	ASIF III	SILD	USAID Grant	SDC Grant-1	SDC-Grant	SSIP	LEID	Total
Cost								
As of January 1, 2018	332,202	122,395	28,231	17,909	-	44,117	711	545,565
Acquisitions	-	2,400	848	-	5,488	287	-	9,023
As of December 31, 2018	332,202	124,795	29,079	17,909	5,488	44,404	711	554,588
Acquisitions	-	-	2,472	-	-	-	52	2,524
Write-offs (b)	-	-	-	-	-	(32,443)	-	(32,443)
As of December 31, 2019	332,202	124,795	31,551	17,909	5,488	11,961	763	524,669
Accumulated depreciation								
As of January 1, 2018	332,202	32,788	8,871	10,410	-	12,504	88	396,863
Annual charges	-	16,568	4,183	3,544	-	6,369	89	30,753
As of December 31, 2018	332,202	49,356	13,054	13,954	-	18,873	177	427,616
Annual charges	-	16,665	4,513	3,955	5,488	2,398	95	33,114
Write-offs	-	-	-	-	-	(11,822)	-	(11,822)
As of December 31, 2019	332,202	66,021	17,567	17,909	5,488	9,449	272	448,908
Carrying Value								
As of December 31, 2018	-	75,439	16,025	3,955	5,488	25,531	534	126,972
As of December 31, 2019	-	58,774	13,984	-	-	2,512	491	75,761

(a) As at 31.12.2019 the property and equipment with cost of 346,275 USD are fully depreciated (31.12.2018: 332,202 USD).

(b) In accordance with RA Government Decree N 1801-A dated 12.12.2019, a car was transferred to office of marz governor of Vayots Dzor.

4. Funds receivable

It represents funds receivable for implementation of the projects by the ATDF:

Project	Note	As at 31.12.2019 USD	As at 31.12.2018 USD
LEID	4.1	61,717,073	66,122,085
SILD	4.2	12,237,466	17,485,226
SSIP	4.3	72,780,302	74,292,770
USAID	4.4	4,175,331	5,066,161
School furniture for SSIP project	4.5	-	-
Water-supply project in RA marzes	4.6	-	-
Gasification project	4.7	-	-
Urgent Projects	4.8	-	713,214
		<u>150,910,172</u>	<u>163,679,456</u>

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

4.1 LEID

	IBRD 8572-AM USD	RA Govern- ment co- financing USD	Total USD
Receivable as at 31.12.2018	52,815,217	13,306,868	66,122,085
Granted	-	-	-
Received	(3,676,254)	(728,758)	(4,405,012)
Receivable as at 31.12.2019	49,138,963	12,578,110	61,717,073

4.2 SILD

	IBRD 8483-AM USD	RA Govern- ment co- financing USD	Communi- ty Contri- bution USD	Donors USD	Total USD
Receivable as at 31.12.2018	12,379,243	4,728,833	376,434	716	17,485,226
Granted	-	-	-	-	-
Received	(3,650,424)	(1,353,445)	(243,891)	-	(5,247,760)
Receivable as at 31.12.2019	8,728,819	3,375,388	132,543	716	12,237,466

4.3 SSIP

	ADB Loan 3284-ARM USD	RA Govern- ment co- financing USD	Total USD
Receivable as at 31.12.2018	57,337,056	16,955,714	74,292,770
Granted	-	-	-
Revaluation	(328,161)	-	(328,161)
Received	-	(1,184,307)	(1,184,307)
Receivable as at 31.12.2019	57,008,895	15,771,407	72,780,302

4.4 USAID Grant

	USAID Grant USD	Community Contribution USD	Total USD
Receivable as at 31.12.2018	4,394,411	671,750	5,066,161
Granted	-	-	-
Received	(890,411)	(419)	(890,830)
Receivable as at 31.12.2019	3,504,000	671,331	4,175,331

4.5 School furniture for SSIP

	Government Grant USD	Total USD
Receivable as at 31.12.2018	-	-
Granted	122,880	122,880
Received	(122,880)	(122,880)
Receivable as at 31.12.2019	-	-

4.6 Water-supply project in RA marzes

	Government Grant USD	Total USD
Receivable as at 31.12.2018	-	-
Granted	622,509	622,509
Received	(622,509)	(622,509)
Receivable as at 31.12.2019	-	-

4.7 Gasification project

	Government Grant USD	Total USD
Receivable as at 31.12.2018	-	-
Granted	604,512	604,512
Received	(604,512)	(604,512)
Receivable as at 31.12.2019	-	-

4.8 Urgent Projects

	Government Grant USD	Community Contribution USD	Total USD
Receivable as at 31.12.2018	-	713,214	713,214
Granted	-	-	-
Received	-	(713,214)	(713,214)
Receivable as at 31.12.2019	-	-	-

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

5. Prepayments

Project	As at 31.12.2019 USD	As at 31.12.2018 USD
SSIP	2,024,008	1,582,782
LEID	72,077	966,246
Jermuk Project-1	168,454	191,975
SILD	34,931	167,621
Jermuk Project-2	17,723	82,592
Urgent Projects	58,854	33,025
Other	5,359	-
	<u>2,381,406</u>	<u>3,024,241</u>

The Prepayments are mainly result from prepayments to contractors up to 20% on construction contracts secured with relevant bank guarantees.

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

6. Cash and cash equivalents

	Bank	Currency	31.12.2019 USD	31.12.2018 USD
ATDF accounts				
Current accounts	Araratbank	AMD	175,825	189,076
Community contribution account	Araratbank	AMD	12,279	12,171
Sponsors contribution account	Araratbank	AMD	853	847
			<u>188,957</u>	<u>202,094</u>
SDC Grant				
SDC Grant	Araratbank	USD	19	64,355
Community contribution account	Araratbank	AMD	24,164	24,622
			<u>24,183</u>	<u>88,977</u>
SILD				
Designated account (IBRD 8283-AM)	Treasury	USD	871,912	784,845
Community contribution account	Araratbank	AMD	194,780	333,642
Community contribution account	Treasury	AMD	113,377	-
Sponsors contribution account	Treasury	AMD	19	18
			<u>1,180,088</u>	<u>1,118,505</u>
SSIP				
Deposit account (ADB 3284-ARM)	Treasury	USD	12,198,218	18,055,516
Government contribution account	Treasury	AMD	30,241	-
			<u>12,228,459</u>	<u>18,055,516</u>
USAID Grant				
Grant account	Treasury	USD	77	13,530
Community contribution account	Araratbank	AMD	109,180	107,859
			<u>109,257</u>	<u>121,389</u>
LEID				
Grant account	Treasury	USD	1,163,926	414,394
			<u>1,163,926</u>	<u>414,394</u>
Jermuk project -1				
Grant account	Araratbank	AMD	9,674	93,304
			<u>9,674</u>	<u>93,304</u>
Jermuk project -2				
Grant account	Treasury	AMD	769,888	1,345,155
Grant account	Treasury	AMD	49,410	-
Grant account	Treasury	AMD	59,635	-
			<u>878,933</u>	<u>1,345,155</u>

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

	Bank	Currency	31.12.2019 USD	31.12.2018 USD
Urgent Projects				-
Grant account	Treasury	AMD	3,002,064	7,480,641
Community contribution account	Treasury	AMD	87,083	129,186
			<u>3,089,147</u>	<u>7,609,827</u>
School furniture for SSIP				
Grant account	Treasury	AMD	101,020	-
			<u>101,020</u>	<u>-</u>
Water-supply project in RA marzes				
Grant account	Treasury	AMD	618,504	-
			<u>618,504</u>	<u>-</u>
Gasification project				
Grant account	Treasury	AMD	603,025	-
			<u>603,025</u>	<u>-</u>
			<u>20,195,173</u>	<u>29,049,161</u>

7. Founders' contribution

The Government of the Republic of Armenia is the sole founder of ATDF. The Founder contributed Property and Equipment with the valued amount of USD 151,631. Those assets were fully depreciated as at 31 December 2006.

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

8. Government grants

Bellow presented grants received for the implementation of ATDF Projects:

	For the year ended 31 December 2019													Total
	SDC Grant	SDC Grant-1	SILD	SSIP	LEID	USAID Grant	Jermuk project -1 Grant	Jermuk project -2 Grant	School furniture for SSIP project	Water-supply project in RA marzes	Gasification project	Urgent Projects Grant	Other USD	
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Opening balance	90,841	1,026	18,711,164	93,615,526	67,457,327	5,199,947	269,945	1,426,369	-	-	-	8,318,427	77,926	195,168,498
Grants received	-	-	-	-	-	-	-	-	122,880	622,509	604,512	-	-	1,349,901
Other increase / (decrease)	-	2,929	-	-	-	-	-	-	(20,960)	-	-	47,701	-	29,670
Revaluation	-	-	-	(328,161)	-	-	-	-	-	-	-	-	-	(328,161)
Income corresponding to compensated costs	(65,986)	(3,955)	(5,275,611)	(6,911,224)	(4,671,053)	(907,935)	(83,690)	(571,266)	-	-	-	(5,526,662)	(72,628)	(24,090,010)
Closing balance	24,855	-	13,435,553	86,376,141	62,786,274	4,292,012	186,255	855,103	101,920	622,509	604,512	2,839,466	5,298	172,129,898

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

	For the year ended 31 December 2018										Total USD
	SDC Grant USD	SDC Grant-1 USD	SILD USD	SSIP USD	LEID USD	USAID Grant USD	Jermuk project -1 Grant USD	Jermuk project -2 Grant USD	Urgent Projects Grant USD	Other USD	
Opening balance	2,410,734	4,570	26,189,826	100,355,703	68,525,253	6,758,963	1,726,591	-	-	13,672	205,985,312
Grants received	-	-	-	-	-	-	-	1,441,621	8,369,318	105,103	9,916,042
Other increase/(decrease)	(10,832)	-	-	1	1	-	(115,829)	-	-	-	(126,659)
Revaluation	-	-	-	(1,374,483)	-	-	-	-	-	-	(1,374,483)
Income corresponding to compensated costs	(2,309,061)	(3,544)	(7,478,662)	(5,365,695)	(1,067,927)	(1,559,016)	(1,340,817)	(15,252)	(50,891)	(40,849)	(19,231,714)
Closing balance	90,841	1,026	18,711,164	93,615,526	67,457,327	5,199,947	269,945	1,426,369	8,318,427	77,926	195,168,498

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

9. Accounts payable

		As at 31.12.2019 USD	As at 31.12.2018 USD
<i>SILD</i>			
	<i>Works (a)</i>	69,596	138,839
	<i>Other payables</i>	-	89
		<u>69,596</u>	<u>138,928</u>
<i>SSIP</i>			
	<i>Works (a)</i>	653,729	338,293
	<i>Other payables</i>	1,139	15
		<u>654,868</u>	<u>338,308</u>
<i>USAID</i>			
	<i>Works (a)</i>	9	1,155
		3,122	-
		<u>3,131</u>	<u>1,155</u>
<i>LEID</i>			
	<i>Works (a)</i>	164,810	46,472
		<u>164,810</u>	<u>46,472</u>
<i>SDC Grant</i>			
	<i>Works (a)</i>	-	4,559
		-	<u>4,559</u>
<i>Jermuk Project -1</i>			
	<i>Works (a)</i>	526	29,123
		2,654	-
		<u>3,180</u>	<u>29,123</u>
<i>Jermuk Project -2</i>			
	<i>Works (a)</i>	27,865	763
		<u>27,865</u>	<u>763</u>
<i>Urgent Projects</i>			
	<i>Works (a)</i>	185,375	2,317
	<i>Other payables</i>	38	-
		<u>185,413</u>	<u>2,317</u>
<i>Other</i>			
	<i>Works (a)</i>	2,106	14,904
	<i>Payables on interest accrued</i>	35,441	112,874
	<i>Payables on ASIF III</i>	127,778	-
	<i>Income tax</i>	-	26,298
		<u>165,325</u>	<u>154,076</u>
		<u>1,274,188</u>	<u>715,701</u>

(a) Retentions of 5% on ASIF III project and 2.5% on other projects are held from the completed service invoice for up to one year as a guaranty for the quality of the work.

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

10. Cost of the Projects

Year ended 31 Dec 2019														
	SDC Grant	SDC Grant -1	SILD	SSIP	USAID Grant	LEID	Jermuk project-1	Jermuk project-2	School furniture for SSIP	Water-supply in RA marzes	Gasification project	Urgent Projects	Other	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Works	-	-	1,227,605	6,317,503	-	4,491,281	79,656	568,470	-	-	-	5,377,040	42,126	18,103,681
Goods	52,431	-	3,389,298	16,760	852,505	-	-	-	-	-	-	80,690	-	4,391,684
Consultants' services and Training	2,930	-	50,057	426,862	44,058	107,346	4,034	2,796	-	-	-	68,932	3,435	710,450
Operating costs	5,138	-	591,986	147,701	6,859	72,331	-	-	-	-	-	-	27,067	851,082
Depreciation of PPE	5,487	3,955	16,665	2,398	4,513	95	-	-	-	-	-	-	-	33,113
Front-end	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	65,986	3,955	5,275,611	6,911,224	907,935	4,671,053	83,690	571,266	-	-	-	5,526,662	72,628	24,090,010

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

	Year ended 31 Dec 2018										
	SDC Grant USD	SDC Grant -1 USD	SILD USD	SSIP USD	USAID Grant USD	LEID USD	Jermuk project-1 USD	Jermuk project-2 USD	Urgent Projects USD	Other USD	Total USD
Works	416,808	-	6,159,044	4,983,648	58,062	929,493	1,323,738	15,252	50,891	-	13,936,936
Goods	1,800,038	-	498,342	-	1,448,827	-	-	-	-	-	3,747,207
Consultants' services and Training	23,785	-	237,677	212,699	46,178	88,856	17,079	-	-	27,436	653,710
Operating costs	68,430	-	567,031	162,979	1,766	49,489	-	-	-	13,412	863,107
Depreciation of PPE	-	3,544	16,568	6,369	4,183	89	-	-	-	-	30,753
Front-end fee	-	-	-	-	-	-	-	-	-	-	-
Total	2,309,061	3,544	7,478,662	5,365,695	1,559,016	1,067,927	1,340,817	15,252	50,891	40,848	19,231,713

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

11. Cash Flows

For the year ended 31 Dec 2019													
	SDC Grant	SILD	SSIP	USAID Grant	LEID	Jermuk project -1	Jermuk project -2	School furniture for SSIP	Water-supply in RA marzes	Gasification project	Urgent Projects	Other	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Funds received/ (returned)	-	5,247,760	1,184,307	890,830	4,405,012	-	-	122,509	611,598	603,025	760,965	37,004	13,863,010
Loan/Credit/Grant	-	3,650,424	-	890,411	3,676,254	-	-	122,509	611,598	603,025	-	-	9,554,221
RA Government	-	1,353,445	1,184,307	419	728,758	-	-	-	-	-	-	-	3,266,929
Community Contributions	-	243,891	-	-	-	-	-	-	-	-	760,965	-	1,004,856
Other Sponsors	-	-	-	-	-	-	-	-	-	-	-	37,004	37,004
Expenditures on Projects	(64,917)	(5,157,410)	(7,016,732)	(903,918)	(3,658,453)	(83,183)	(479,295)	-	-	-	(5,366,630)	(51,352)	(22,781,890)
Works	(4,480)	(1,126,068)	(6,442,175)	(1,154)	(3,478,761)	(79,149)	(476,499)	-	-	-	(5,216,958)	-	(16,825,244)
Goods	(52,381)	(3,389,299)	-	(851,847)	-	-	-	-	-	-	(80,740)	-	(4,374,267)
Consultant Services and Training	79	(44,848)	(426,855)	(44,058)	(107,360)	(4,034)	(2,796)	-	-	-	(68,932)	(3,435)	(702,239)
Operating Costs	(8,135)	(597,195)	(147,702)	(6,859)	(72,332)	-	-	-	-	-	-	(47,917)	(880,140)
Front-end fee	-	-	-	-	-	-	-	-	-	-	-	-	-
Other operating cash flows (net)	-	(34,931)	-	-	-	-	-	(20,960)	-	-	-	-	(55,891)
Foreign currency gain/(loss)	123	6,163	5,368	956	2,972	(447)	825,185	(529)	6,905	-	(727,126)	1,212	120,782
Net cash result	(64,794)	61,583	(5,827,057)	(12,132)	749,531	(83,630)	345,890	101,020	618,503	603,025	(5,332,791)	(13,136)	(8,853,988)
Opening cash balance	88,977	1,118,505	18,055,516	121,389	414,394	93,304	533,043	-	-	-	8,421,939	202,094	29,049,161
Closing cash balance	24,183	1,180,088	12,228,459	109,257	1,163,925	9,674	878,933	101,020	618,503	603,025	3,089,148	188,958	20,195,173

Armenian Territorial Development Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

	For the year ended 31 Dec 2018									
	SDC Grant	SILD	SSIP	USAID Grant	LEID	Jermuk project -1	Jermuk project -2	Urgent Projects	Other	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Funds received/ (returned)	2,153,638	6,770,401	689,969	1,624,103	2,311,786	(115,829)	1,441,622	7,656,104	127,482	22,659,276
Loan/Credit/Grant	2,113,385	4,828,642	-	1,576,589	1,913,887	-	-	-	-	10,432,503
RA Government	-	1,826,627	689,969	47,514	397,899	(115,829)	1,441,622	7,526,892	-	11,814,694
Community Contributions	40,253	115,132	-	-	-	-	-	129,212	-	284,597
Other Sponsors	-	-	-	-	-	-	-	-	127,482	127,482
Expenditures on Projects	(2,310,280)	(7,175,121)	(4,139,254)	(1,565,636)	(1,987,610)	(1,229,909)	(97,081)	(81,599)	(40,848)	(18,627,338)
Works	(412,528)	(5,869,666)	(3,763,286)	(68,018)	(1,849,265)	(1,212,830)	(97,081)	(81,599)	-	(13,354,273)
Goods	(1,800,041)	(500,742)	(287)	(1,448,827)	-	-	-	-	-	(3,749,897)
Consultant Services and Training	(11,200)	(237,682)	(212,702)	(3,964)	(88,856)	(17,079)	-	-	(27,436)	(598,919)
Operating Costs	(86,511)	(567,031)	(162,979)	(44,827)	(49,489)	-	-	-	(13,412)	(924,249)
Front-end fee	-	-	-	-	-	-	-	-	-	-
Other operating cash flows (net)	-	-	-	-	-	2,622	-	-	(2,622)	-
Foreign currency gain/(loss)	(443)	(901)	(82)	(405)	(377)	(1,077)	614	35,322	104	32,755
Net cash result	(157,085)	(405,621)	(3,449,367)	58,062	323,799	(1,344,193)	1,345,155	7,609,827	84,116	4,064,693
Opening cash balance	246,062	1,524,126	21,504,883	63,327	90,595	1,437,497	-	-	117,978	24,984,488
Closing cash balance	88,977	1,118,505	18,055,516	121,389	414,394	93,304	1,345,155	7,609,827	202,094	29,049,161

12. Taxes

Applicable taxes are paid in accordance with Tax Code of the Republic of Armenia. Income tax rate in the Republic of Armenia for year 2019 is set at 20% (2018: 20%). From year 2020 the income tax rate is set at 18%.

13. Litigations

There are two claims against the ATDF as of reporting date and date of signing these financial statements, within the framework of renovation project of Jermuk:

- Request for contractual obligations
- To dissolve the contract with the contractor organization and compensate for the damage.

14. Events after the reporting date

Outbreak of coronavirus

WHO declared breakout of new coronavirus (COVID-19) epidemic in the world based on its rapid spread all over world. Considering its spread, the Republic of Armenia Government Decree on declaring State of Emergency from March 16 to July 13, 2020 throughout Armenia.

This condition negatively impacts the Fund, in particular it may lead to:

- Delays in supply required for the implementation of the projects,
- Access restrictions to office and areas of projects' implementations, and
- Limitations on conducting meetings.

The COVID-19 breakout continues as at signing these financial statements.

Given the unpredictability of events, Project management does not consider it possible to estimate the financial impact of the above event on the Fund.

15. IFRS 13 Fair Value measurement disclosures

The following table sets out the assets and liabilities for which fair values are disclosed in the notes:

Item	Fair Value USD	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Trade payables	1,274,188	<i>Current</i> The carrying amount of short term (less than 12 months) payables approximates its fair values.	Level 3	N/A