

“NOAH” FOOTBALL CLUB
Non-Governmental Organization

FINANCIAL STATEMENTS

For the year ended 31 December, 2021

Registered in the State Register of RA, 15 May 2017

Registration Number: 211.171.958171

Legal Address: Bryusov str, 6 building, Yerevan, RA



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This report was initially prepared in Armenian and then translated to English. In case of inaccuracies or linguistic misinterpretations, the Armenian version is the basis.



«Լոնդոն Բիզնես Գրուպ» ՀՉ ՍՊԸ
ՀՀ, Երևան, Խորենացի 27ա/1
“London Business Group” JV LLC
27a Khorenatsi str., apt. 1, Yerevan, RA
Tel: (+37410) 541272, 560852
E-mail: audit@lbg.am
Web: www.lbg.am

INDEPENDENT AUDITOR'S REPORT

To the Management and Members of “Noah” FC NGO

Opinion

We have audited the accompanying financial statements of “Noah” FC NGO (hereinafter referred to as the “Organization”), which comprise the balance sheet as of 31 December 2021, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the financial statements give a true and fair view of the financial position of the Organization as of 31 December, 2021 and of its financial performance and its cash flow 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 Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in the code of the Ethics for Professional Accountant set by the International Ethics Standards Board for Accountants (IESBA code) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Organization’s ability to continue as a going concern, disclosing, as applicable, matters relates to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization’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 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control 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 Organization'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 Organization'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 disclosure in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the Organization to cease to continue as a going concern.

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

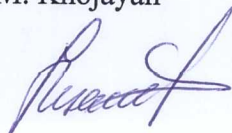
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

London Business Group JV LLC

14 April, 2022

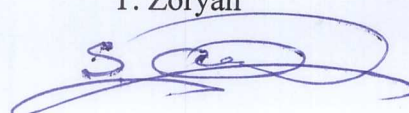
Head of Audit

M. Khojayan




Director

T. Zoryan




Statement of Financial Position

(Presented in thousand AMD)	Notes	<u>As at 31 December</u> <u>2021</u>	<u>As at 31 December</u> <u>2020</u>
Assets			
<i>Current assets</i>			
Cash and cash equivalents	3	5,505	347
Accounts receivable from player transfer		-	-
Accounts receivables from group entities or related parties		-	-
Other accounts receivable	4	38	-
Prepayments paid	4	53,960	42,583
Tax assets		-	2,544
Inventories	6	217	217
Other current assets		-	-
<i>Total current assets</i>		<u>59,720</u>	<u>45,691</u>
<i>Non-current assets</i>			
Tangible fixed assets	5	13,055	14,792
Intangible assets - players		-	-
Intangible assets - other		-	-
Accounts receivable from player transfers		-	-
Accounts receivable from group entities or related parties		-	-
Other accounts receivables		-	-
Prepayments received		-	-
Deferred tax assets		-	-
Investments		-	-
<i>Total non-current assets</i>		<u>13,055</u>	<u>14,792</u>
Total assets		72,775	60,483
Liabilities			
<i>Current liabilities</i>			
Bank overdrafts and other loans		-	-
Borrowings received from group entities or related parties		-	-
Accounts payable relating to player transfers		-	-
Accounts payable to employees	7	7,824	2,128
Accounts payable to tax and other state authorities	7	4,935	2,038
Other accounts payable	7	25,515	27,794
Prepayments received and deferred income		-	-
Current provisions		-	-
Other short-term liabilities		-	-
<i>Total current liabilities</i>		<u>38,274</u>	<u>31,960</u>

Statement of Comprehensive Income

(Presented in thousand AMD)	Notes	<u>For the year ended 31 December 2021</u>	<u>For the year ended 31 December 2020</u>
Income			
UEFA solidarity and prize payments	9	143,783	207,571
Ticket sales		63	-
Sponsorship and advertising		10,360	-
Broadcast rights		36,156	1,709
Other income	9	18,378	24,458
Total income		208,740	233,738
Expenses			
Cost of sales		-	(44)
Wages and salaries – players	10	(50,812)	(46,527)
Wages and salaries – other employees	10	(65,664)	(34,307)
Depreciation of tangible fixed assets	6	(6,012)	(5,876)
Depreciation of intangible assets (excluding player registrations)		-	-
Impairment of tangible and intangible assets (excluding player registrations)		-	-
Other operating expenses, including:	11	(412,011)	(499,182)
Expenses regarding football events		(352,690)	(402,125)
Administrative expenses		(59,321)	(97,057)
Total operational expenses (excluding player registration)		(534,499)	(585,936)
Net operating income (loss)		(325,759)	(352,198)
Player registration trading			
Amortization of intangible assets (player registrations)		-	-
Impairment of intangible assets (player registrations)		-	-
Profit (Loss) from disposal of registrations		-	-
Cost of acquiring player registrations (including non-capitalized agent fees and player loan fees)		(4,630)	(640)
Income from disposal of player registrations (including loan income)		75	-
Total player registration trading		(4,455)	(640)

Statement of Comprehensive Income

(Continued)

(Presented in thousand AMD)

	Notes	<u>For the year ended 31 December 2021</u>	<u>For the year ended 31 December 2020</u>
Profit (loss) on disposal of non-current assets			
Profit (loss) on disposal of tangible fixed assets		-	-
Profit (loss) on disposal of intangible assets		-	-
Total profit (loss) on disposal of non-current assets		-	-
Financial income (expenses) and exchange rate differences			
Financial income		-	-
Financial expenses		-	-
Exchange rate difference gain (loss)	12	1,542	(427)
Net financial income (expenses) and exchange rate differences		1,542	(427)
Other non-operating activity			
Other income (non-operating)		9,079	-
Other expenses (non-operating)	13	(1,260)	(582)
Result of other non-operating activity		7,819	(582)
Profit (loss) before tax		(320,953)	(353,847)
Profit tax		-	-
Net profit (loss)		(320,953)	(353,847)

Notes form part of these financial statements.

R. Gevorkyan
President

14 April, 2022



M. Tadevosyan
Chief Accountant

Cash Flow Statement

(Presented in thousand AMD)	Notes	<u>For the year ended</u> <u>31 December 2021</u>	<u>For the year ended</u> <u>31 December 2020</u>
Operating activities			
<i>Cash inflow from operating activities</i>			
Cash receipts from ticket sales		63	-
Cash receipts from sponsorship and advertisement		10,360	221,571
Payments from UEFA		143,783	-
Prize receipts from AFF		16,113	-
Cash receipts from broadcast rights		36,156	-
Cash receipts from commercial activity		-	370
Cash inflow from other activity		8,510	61,270
<i>Total cash inflow from operating activities</i>		<u>214,985</u>	<u>283,211</u>
<i>Cash outflow from operating activities</i>			
Purchase of goods and services provided		414,359	496,658
Salaries paid		82,880	59,432
Payments to agents and brokers		10,625	1,500
Taxes and other payments		25,391	21,725
Other cash outflow from operating activities		923	7,800
<i>Total cash outflow from operating activities</i>		<u>534,178</u>	<u>587,115</u>
Net cash flow from operating activities		(319,193)	(303,904)
Investing activities			
<i>Cash inflow from investing activities</i>			
Cash receipts from sale of player registrations		-	-
Cash receipts from sale of tangible fixed assets		-	-
Cash inflows from other investing activities		-	-
<i>Total cash inflow from investing activities</i>		<u>-</u>	<u>-</u>
<i>Cash outflow from investing activities</i>			
Cash payments from purchase of player registrations		-	-
Cash payments from purchase of tangible fixed assets		4,423	7,507
Cash outflows from other investing activities		-	-
<i>Total cash outflow from investing activities</i>		<u>4,423</u>	<u>7,507</u>
Net cash flow from investing activities		(4,423)	(7,507)

Cash Flow Statement

(Continued)

(Presented in thousand AMD)	Notes	<u>For the year ended 31 December 2021</u>	<u>For the year ended 31 December 2020</u>
Financial activities			
<i>Cash inflow from financial activities</i>			
Cash receipts from borrowings - related party		475,357	535,139
Cash receipts from borrowings and loans - financial institutions		-	-
Cash receipts from increase in capital		-	-
Cash receipts from bond issue		-	-
Cash receipts from other financing activities		-	-
<i>Total cash inflow from financial activities</i>		<u>475,357</u>	<u>535,139</u>
<i>Cash outflow from financial activities</i>			
Cash (payments) on borrowings - related party		147,089	254,035
Cash (payments) on borrowings and loans - financial institutions		-	-
Cash (payments) on capital decrease and dividend paid		-	-
Cash payments on bond issued		-	-
Cash payments on interest		-	-
Cash payments on other financing activities		-	-
<i>Total cash outflow from financial activities</i>		<u>147,089</u>	<u>254,035</u>
Net cash flow from financial activities		328,268	281,104
Change in cash balance		4,652	(30,307)
Net results of exchange rate changes for foreign currency		506	(314)
Opening cash balance		347	30,968
Closing cash balance	3	5,505	347

Notes form part of these financial statements.

R. Gevorkyan
President

14 April, 2022



M. Tadevosyan
Chief Accountant

Notes To The Financial Statements

1. Basis for preparation of financial statements

1.1 Compliance

The financial statements are prepared based on records made in accordance with Armenian Accounting Standards and were justified to be represented in accordance with International Financial Reporting Standards (IFRS) set by International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC).

In order to represent the Organization's Financial Statements in accordance with IFRSs and Europe League requests, some additional findings were made.

1.2 Basis for recognition

Financial statements for the reporting period are prepared on the acquisition cost basis.

The presented accounting policy has been applied while preparing the financial reports of the Organization as of 31 December, 2021 and 31 December, 2020.

While preparing its statements of financial position according to the IFRSs, the Organization has applied the following approaches:

- ✓ has not recognized the items as an asset or a liability, if such kind of recognition is not permitted by the IFRS,
- ✓ has recognized those assets and liabilities, the recognition of which is required by the IFRS,
- ✓ the IFRS has applied all the recognized assets and liabilities during measuring.

1.3 Presentation of the financial statements

The Organization has decided to prepare single statement of comprehensive income instead of two separate statements with subtotals (single income statement followed by statement of other comprehensive income).

1.4 Assessments and judgments of the Management

IFRS and Armenian Laws on Accounting require that the Organization Management makes respective assessments, judgments and assumptions about the future while preparing financial statements. These judgments are implemented while calculating assets and liabilities in the financial reports. Assessments and judgments are always reviewed based on historical experience and other factors, as well as the reasonable future expectations. Nevertheless, actual experience may differ from expectations and assessments made.

Assessments and expectations containing significant risk of becoming a reason of assets and liabilities book values material specification in the next financial year are presented below.

Assessments and expectations: real value calculation

Numerous assets and liabilities are required to calculate at real value or discover their real value in the financial statements.

To calculate real value of the financial and non-financial assets and liabilities market data is used as much as possible. Baseline data for real value calculation is classified on different levels depending on how visible is data used in assessment method.

1. Prices (unspecified) quoted in asset markets for identical assets or liabilities;
2. Directly or indirectly visible baseline data (exception: quoted prices in point 1.);
3. Invisible baseline data not based on market data.

Classification of assets and liabilities is based on the baseline data of the lowest value that have significant influence on real value calculation. Results of accounting assessments are recognized in the period they take place.

1.5 Operating and reporting currency

Operating currency of the Republic of Armenia is the Armenian Dram which is the Organization's operating currency.

These financial statements are represented in AMD. The management of the Organization is sure that this currency reflects best the economic nature of the Organization's transactions and events laid on the basis of the financial statements and is more useful for the users of the information provided in these financial statements.

The whole financial information represented in AMD is rounded to the nearest thousands.

1.6 New and reviewed IFRS standards applicable for the current year

The usage influence of new and reviewed IFRSs presented below is of a demonstrative nature. Organizations have to analyze the influence of these new and reviewed IFRSs on financial reports by taking into account specific facts and circumstances, and by disclosing corresponding findings. Organization has already accepted all the applicable and available new and reviewed standards for its activity published by the International Accounting Standards Board (IASB) and IASB Interpretations Committee (IC).

New IFRS 16 “Lease” standard and IFRSIC “Uncertainty over Profit Tax Treatment” interpretations on 01.01.2019 has no significant influence on the financial reports of Organization.

Lease costs concessions

On May 28, 2020, concerning COVID19 IASB has released changes in IFRS 16 “Lease” standard regarding lease cost concessions. The Board has changed the standard by relieving tenants from applying the 16th IFRS guideline on lease change recording due to a reduction in lease payments in the immediate aftermath of the coronavirus. The assistance is not intended for the landlords.

Exception application by the lessee is allowed but is not mandatory.

Accounting of lease costs concessions not recorded as lease transformations

Modification of IFRS 16th is not a define guide of lease costs concessions recording while implementing the described approach. It is mentioned, that while choosing, the lessee records any

lease changes occurred as a result of lease concessions regarding coronavirus are recorded the same way as in case of IFRS 16th if the change was not a lease modification. Several approaches of lease costs concessions not registered as lease transformation exist, including:

1. Concession record in a form of remission or postponement, as a negative variable lease;
2. Concession record in a form of remission or postponement, as a fulfillment of conditional criteria that fixates previous variable lease;
3. Concession record in a form of a postponement, as if the lease had not been changed.

2. Accounting Policies

2.1 Investments in associates

The income of dividends from investments in associates is recognized, when the Organization's right to receive payments is confirmed. It is included in other incomes.

2.2 Recognition of revenues

The revenue is the gross inflow from the Organization's daily activity except transfer payments from disposal of player registrations and taxes related to them.

The revenue is measured at fair value of received or expected contributions and is presented as the amount paid for the sale of an asset or provision of services in ordinary transactions between market participants filtered from discounts and from the taxes related to the realization.

Income from match-days or disposal of tickets

Revenue of match-days is recognized in reporting year: revenue of each match-day must be recognized when the match has took place. The revenue of match-day that was derived as prepayment before reporting year ends but is related to next season (for example: revenue from season tickets) should be considered as deferred revenue (income) and be recognized when the match take place.

Sponsorship and advertising

Sponsorship and advertising includes revenue derived from main sponsor, other sponsors, pitch-perimeter and other board advertising, and other sponsorship and advertising.

Broadcasting rights

Broadcasting rights revenue includes revenue derived from home contracts with mass media. The revenue derived from broadcasting rights and media participation is recognized when match takes place.

Commercial activity revenue

Revenue from commercial activities includes revenue derived from merchandising, food and beverage sales, conferencing (non-match days), lottery and other commercial activities not otherwise categorized.

UEFA solidarity and prize money

UEFA prize money includes revenue derived from UEFA in respect of participation in a UEFA club competition. Prize money is recognized when the receipt becomes certain. UEFA solidarity payments are recognized as income when the receipt becomes certain.

Donations

Donation money is recognized when the receipt becomes certain.

Revenue from other activities are recognized in cases noted below:

- The Organization has given the results of the works to the receiver of the services;
- The Organization does not keep the management participation in the further use of the service results;
- It is possible to measure the revenue sum;
- The economic gains related to the transaction are likely to flow into the Organization;
- It is possible to measure for certain the expenses related to the transaction.

2.3 Borrowing costs

All the borrowing costs are recognized in the profit or loss for the period during which those costs have taken place.

2.4 Property, plant and equipment

Property, plant and equipment are stated at initial value, accumulated depreciation and losses on impairment reduced. The initial value includes acquisition price, import charges, taxes and other compulsory payments which cannot be claimed and other expenditures relating directly to the asset.

Gains or losses resulted by disposal or written-off of property, plant and equipment are determined by the difference from proceeds from assets sold and the carrying amount of the asset, and are recognized in the statement of comprehensive income.

Depreciation is recognized in the income statement applying linear basis with monthly allocations over the useful life of the asset. Calculation of depreciation starts the next month the asset is brought into use.

The estimated useful life of the property, plant and equipment per classes are as follows:

Computers	-	1 year
Sport property	-	5 years
Household and office property	-	5 years

If there are such indicators that significant change of asset's depreciation rates, useful life or residual value, the depreciation of the asset is revised so that it reflects correctly the new future expectations.

Further expenditures on property, plant and equipment are capitalized only when they increase future economic gains related to the asset concerned. All other expenditures, reconstruction and maintenance costs included, are recognized in the income statement during the period of implementation of these works. Expenditure on construction in progress of the assets rented are capitalized and presented within the property, plant and equipment under separate class. Depreciation is calculated for them. The useful life of the rented asset is the period of rent.

2.5 Investment property

The asset, the building or the land, which is kept with the owner, is recognized as an investment property for receiving income from renting or for the increase of its value or for these two reasons at the same time.

The investment property makes cash flows, which are mostly independent from other assets kept by the Organization.

The Organization measures its whole investment property (except property that corresponds with the standard of being classified for sales) at the cost price (initial price), including expenses connected to the operation. The cost price of the purchased investment property includes its purchase price and any expense directly attributable to property purchase.

The depreciation of the investment property (except property that corresponds with the standard of being classified for sales) is recognized in the statement of comprehensive income using the linear method.

2.6 Intangible assets

Intangible assets are recognized with acquisition cost, accumulated depreciation and losses on impairment reduced. They are being depreciated during their useful life applying straight-line method. If there are such indicators that there has been significant change of asset's depreciation rates, useful life or residual value, the depreciation of the asset is revised so that it reflects correctly the new future expectations.

The deferred costs, the costs of transfer agreements with the players, are classified as an intangible asset, which are expensed during the period of the contract activity through a calculated amortization. Expenses related to players transferred from youth teams are not capitalized.

If contract term is renovated not amortized of the sum and expenditure related contract extending are amortized according to new contract.

Any transfer payment, implementation of which depends on several uncertain situations, is capitalized if it is probable to take place.

Player registration impairments are written off if balance value of which exceeds sale sum or recoverable sum.

2.7 Impairment of assets

At each reporting date the Organization revises its property, plant and equipment, non-tangible assets to assess whether there is any indication that those assets have carried impairment losses. If any such indication exists, the recoverable amount of the impaired asset (or group of assets) is revaluated and compared with the carrying amount. If the estimated recoverable amount is less than the carrying amount, then the carrying amount is reduced to the estimated recoverable amount and the impairment loss is immediately recognized in profit or loss.

Inventories are also assessed at each reporting date. The carrying amounts of the inventories are compared with selling price of inventories less costs to complete and sell them. If any group of inventories has been impaired, the carrying amount is reduced to selling price less costs to complete and sell, and the impairment loss is immediately recognized in profit or loss.

If the impairment loss is reversed respectively, the carrying amount of the asset (or group of assets related) is increased to the estimated recoverable amount (in case of inventories less costs to complete and sell) but in such a way that the increased amount does not exceed the amount that would be determined if no impairment loss had been recognized for the asset (or group of assets related) in prior period. Reversal of impairment loss is immediately recognized in profit or loss.

2.8 Rents

Rent is considered to be financial in all cases when all the essential risks and returns related to the ownership of the rented asset are transferred. All the other rents are classified as Operating lease.

The rights for the assets maintained by financial lease are recognized as assets with an amount equal to the fair value of leased property (or if it is lower- with the actual value of the minimum rent) in the beginning of the lease. The corresponding financial liability for the lessor is included in the statement of financial position as a liability of financial lease. The rents are equally distributed between the decrease of financial payment and the unpaid liability so that to have a constant interest rate towards the balance of the liability of the period. The financial payments are deducted

from the amount of the profit or loss. The financial payments are included in the property, plants and equipment which are depreciated and evaluated as their own assets.

The rents to be paid within the frame of the operating lease are calculated in the profit or loss linearly for the whole period of lease.

2.9 Inventory

Inventories are measured by the least between initial value and net selling price.

The initial value of inventories include the expenses of the purchase and the production of inventories, as well as the other expenses connected to bringing them to the current state and location.

The net selling price is the presumed price for sale, the expenditure of replenishment (reconstruction) and the expenditure necessary for organization of sales reduced. The evaluations of the net selling price are based on the credible evidence (due at the moment of evaluation) of the expected amount from inventories sales. While performing these evaluations the liability of prices and costs directly connected to the occurred cases after the reporting period are being taken into consideration insofar as such cases affirm available conditions as at the end of the period.

The Organization adjusts the price of inventories till the regenerative value creating “Provisions of wear goods and materials” for damaged and slowly circulating inventories.

2.10 Financial instruments

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

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

Financial liabilities are derecognized when they are discharged, cancelled or expired.

Financial assets and financial liabilities are initially recognized at fair value plus transaction costs with exception of financial assets and liabilities that are initially classified as financial assets and liabilities measured at fair value through profit or loss.

Financial assets and liabilities are offset in the statement of financial position, being reflected by net amount only in a case if the Organization has legal bases to offset the recognized amounts, as well as has an intention to perform calculation with the very basis or to sell the asset and to pay off liability at the same time.

The subsequent measurement of the financial assets and financial liabilities is provided below.

Financial assets

Financial assets, except hedging instruments, are classified as:

- ✓ loans and receivables;
- ✓ financial assets measured at fair value through profit or loss;
- ✓ financial assets available for sale;
- ✓ investments held until maturity.

Financial assets are referred to different categories at initial measurement depending on the nature and purpose of the transaction. The category of the financial instrument corresponds to the principle through which the instrument is measured and which shows whether the profit and loss from the changes of fair value should be recognized in the statement of comprehensive income or directly in the equity. The Organization’s financial assets in categories are presented in the notes.

Generally, all financial assets of the Organization are recognized applying the records of the last reporting date. Assessment of impairment of the financial asset is performed at least as at the last reporting date. Expenses and revenues related to the financial assets are recognized in the statement of income under the articles "Financial expenses" and "Financial income" respectively.

➤ Receivables

Current receivables are recognized at fair value. They are subsequently recorded at amortized value, provisions for impairment reduced. Provision for impairment of trade receivables are made only when there is objective evidence that the Organization is not able to collect all receivable amounts within the initially mentioned periods. Significant financial difficulties of the debtor, postpone of payments and late payments (more than 365 days later) are indicators of the fact that the trade receivable is impaired. The amount of provision is the difference of the asset's carrying amount and present value of the future cash flows discounted with effective interest rate.

The balance of the provision is adjusted in the statement of comprehensive income for the reporting period through recognition of an income or an expense. Any amount written off from the account of the debtor is reduced from the amount of the existing provision of the doubtful debts. All receivables, collection of which is estimated as not probable, are written off.

➤ Cash and bank balances

The cash balance consists of cash actually in hand in cash register, demand deposits (balances on bank accounts) and cash flow equivalents (short-term, highly liquid investments which are easily converted into cash flow with previously known amounts and value change risk of which is not significant).

Financial liabilities

Financial liabilities of the Organization include the borrowings and payables, including financial lease payables recorded at amortized cost using effective interest rate. The Organization’s financial liabilities are presented in the notes.

➤ Loans and borrowings

Loans and borrowings (if there are such) are initially recognized at fair value, transaction costs excluded. After initial recognition loans and borrowings are measured at amortized value. The difference between that amortized value and maturity value is recognized in the statement of comprehensive income using the effective interest rate method. Interests and other costs related to borrowings are recorded within the expenses in line with the implementation as a part of financial expenses, except the borrowing expenditure concerning directly the purchase, construction or production of qualified assets which are capitalized as a part of the asset's value.

➤ Payables

Payables are liabilities which are calculated by ordinary payment conditions and don't bear interests. Trade payables with foreign currency are restated by local currency, applying the exchange rates set as at the reporting date. Gains or losses from currency conversion are included in other revenues or other expenses.

2.11 Equity

The Organization does not have authorized capital, and according to RA “Law on Non-governmental organizations”, its members cannot have expectations from its profit distribution.

2.12 Taxes

The Organization’s entrepreneurial activity is taxed according to the general order defined by RA Legislation.

The Organization’s Profit Tax costs include current tax liabilities and deferred tax.

Current tax

Current tax liability is based on the taxable profit of the period. The term taxable profit differs from the term “profit before taxes” due to the elements of income and expenses that are taxation or reduction subjects of other reporting periods, as well as due to other elements that will never be taxed or reduced. Current tax liabilities of the Organization are calculated by applying the tax rates entered into force in essence or at the end of the reporting period.

Deferred tax

Deferred taxes are recognized on temporary differences that occur between balance amounts and tax base of assets and liabilities recognized in financial statements.

Deferred tax liabilities in general are recognized for all taxable temporary differences. Deferred tax assets are recognized with all deductible temporary differences only at the possible extent of future taxable profit availability for which temporary deductible differences may be implemented. Similar deferred tax assets and liabilities are not recognized for the temporary differences occurring at the initial recognition of assets and liabilities (except business associations) in case of the operations that have no influence on accounting and taxable profit.

Deferred tax asset book value is reviewed at the end of every recording period and reduced with the amount impossible to make of enough taxable profit that will allow making a full or partial use of deferred tax asset.

Deferred tax liabilities and assets are calculated by using the tax rates that are expected to be implemented in the process of asset sales or liability repayment taking the rates (and tax laws) that have been in force or in essence have been in force at the end of the reporting period.

Deferred tax liabilities and deferred tax assets calculations reflect tax consequences that will occur depending on the method the Organization is planning to reimburse or repay its assets or liabilities book values at the end of the reporting period.

Current or deferred taxes of the year

Current and deferred taxes are recognized in gain or loss with exception of the cases when they refer to the elements that have been recognized in other statements of comprehensive income or directly in owner’s equity.

2.13 Reserves

Reserves are recognized when the Organization has liabilities (legal or factual) as a result of past cases, and there is a possibility of the Organization being required to fulfill a responsibility, and the amount of liability can be credibly measured.

Money recognized as reserves are the best assessment for paying off current liability in the reporting period while taking into account the risks and uncertainties. If reserve is calculated using assessed cash flows for repaying current liabilities then its book value represents current amount of those cash flows (in cases, if the influence of money is material in time).

If any other party is expected to fully or partially reimburse costs required for reserves repay, then reimbursement has to be viewed as a separate asset when receiving the money and its credible calculation is definite.

Reserve in the amount of unused employee vacation sums is recognized by expenditure or profit specification in the statement of comprehensive income for the reporting period.

2.14 Foreign currency accounts

Foreign currency accounts are recounted in Armenian Drams (AMD) applying the exchange rates set by the Central Bank of Armenia as at the reporting date.

Foreign currency	As at 31 December 2021	As at 31 December 2020
1 USD	480.14 AMD	522.59 AMD
1 EUR	542.61 AMD	641.11 AMD
1 RUB	6.42 AMD	7.02 AMD

Exchange rate differences from transactions made with foreign currency and differences from recounting of items recorded with foreign currency are recognized in the statement of comprehensive income as other non-operating income or expense.

3. Cash and cash equivalents

(Presented in thousand AMD)	<u>As at 31 December,</u> <u>2021</u>	<u>As at 31 December,</u> <u>2020</u>
Cash in hand		
AMD	3,320	13
Foreign currency	-	-
Bank accounts		
AMD	2,183	327
Foreign currency	2	7
Total	5,505	347

4. Account receivables and tax assets

(Presented in thousand AMD)	<u>As at 31 December,</u> <u>2021</u>	<u>As at 31 December,</u> <u>2020</u>
Imprest accounts receivables	38	-
Current tax assets	-	2,544
Total	38	2,544
Prepayments to suppliers	53,960	42,583
Total	53,960	42,583

5. Property, plant and equipment

(Presented in thousand AMD)	Computer equipment	Household and stationery goods	Sport goods	Total
Value				
As at 31 December 2020	5,178	4,213	13,018	22,409
Additions	67	116	4,092	4,275
Reduction	-	-	-	-
Growth from revaluation	-	-	-	-
As at 31 December 2021	5,245	4,329	17,110	26,684
Accumulated depreciation				
As at 31 December 2020	3,728	1,776	2,113	7,617
Accumulation for the year	1,429	812	3,771	6,012
Reduction	-	-	-	-
Devaluation	-	-	-	-
As at 31 December 2021	5,157	2,588	5,884	13,629
Book value				
As at 31 December 2020	1,450	2,437	10,905	14,792
As at 31 December 2021	88	1,741	11,226	13,055

As at 31.12.2021 the Organization does not have pledged property.

6. Inventories

(Presented in thousand AMD)	Medical goods	Total
As at 31 December 2021	217	217
As at 31 December 2020	217	217

7. Payables

(Presented in thousand AMD)	<u>For the year ended 31 December 2021</u>	<u>For the year ended 31 December 2020</u>
Payables to suppliers	25,515	27,794
Salary payables	7,824	2,128
Tax payables	4,935	2,038
Total	38,274	31,960

8. Borrowing to group or related parties

	<u>As at 31 December, 2021</u>		<u>As at 31 December, 2020</u>	
	Thousand AMD	Foreign Currency	Thousand AMD	Foreign Currency
Long-term borrowings				
Borrowing from R. Gevoryan (AMD)	938,472	-	629,269	-
Borrowing from R. Gevoryan (EUR)	-	-	5,770	9,000
Borrowing from R. Gevoryan (USD)	2,881	6,000	3,136	6,000
Borrowing from R. Gevoryan (RUB)	5,200	810,000	5,686	810,000
Borrowing from S. Gevoryan (AMD)	44,453	-	44,453	-
Borrowing from A. Sahakyan (USD)	5,141	10,708	-	-
Borrowing from A. Sahakyan (AMD)	19,098	-	-	-
Total	1,015,245		688,314	

9. Income

(Presented in thousand AMD)	<u>For the year ended 31 December 2021</u>	<u>For the year ended 31 December 2020</u>
UEFA solidarity payments and prize money	143,783	207,571
Supportings, donations and other amounts by football bodies	18,367	14,000
Supportings, donations and other amounts by unrelated party	-	9,941
Income from disposal of player registrations	-	140
Other income	11	377
Total	162,161	232,029

10. Employees’ wages and salaries

(Presented in thousand AMD)	<u>For the year ended 31 December 2021</u>	<u>For the year ended 31 December 2020</u>
Players		
Salary	39,032	35,459
Tax or social security payments	11,780	11,068
Total	50,812	46,527
Other employees		
Salary	49,209	25,690
Tax or social security payments	16,455	8,617
Total	65,664	34,307

11. Other operating expenses

(Presented in thousand AMD)	<u>For the year ended 31 December 2021</u>	<u>For the year ended 31 December 2020</u>
Football expenses		
Expenses for the team’s participation in sports gatherings and competitions	136,911	82,927
Payments to FFA	5,415	2,674
Medical treatments to the players	23,956	25,515
Sport equipment	12,011	7,255
Football trainings	169,537	282,434
Security service	4,860	1,320
Total	352,690	402,125
Administrative expenses		
Office and utility bills	12,569	19,497
Repair and service of fixed assets	4,060	398
Post and telecommunication expenses	950	495
Marketing and advertisement	16,185	11,226
Audit and bank expenses	1,584	3,450
Non-reimbursable taxes	17,617	322
Charity expenses	-	38,835
Other administrative expenses	6,356	22,834
Total	59,321	97,057

12. Exchange rate gains (loss)

This is the result of revaluation of assets and liabilities in foreign currency: gain of AMD 1,542 thousand in 2021 and loss of AMD 427 thousand in 2020.

13. Non-operating income (loss)

(Presented in thousand AMD)	<u>For the year ended</u> <u>31 December 2021</u>	<u>For the year ended</u> <u>31 December 2020</u>
Other income		
Income from writing off accounts payable	9,079	-
Total	9,079	-
Other expenses		
Fees, penalties	328	-
Other	932	582
Total	1,260	582

14. Disclosure of related parties

In accordance with IAS 24 “Disclosure of Related Parties”, parties are considered related if one of them can control the other or have a significant influence over the other in making financial and operational decisions. The related parties of the Organization are presented below.

(Presented in thousand AMD)	<u>2021</u>	<u>2020</u>
R. Gevorgyan has provided non-interest borrowing to the Organization¹		
The Organization’s debt to R. Gevorgyan in the end of the year	946,553	643,861
S. Gevorgyan has provided non-interest borrowing to the Organization²		
The Organization’s debt to S. Gevorgyan in the end of the year	44,453	44,453
A. Sahakyan has provided non-interest borrowing to the Organization³		
The Organization’s debt to A. Sahakyan in the end of the year	24,239	-

¹ Ruben Gevorgyan is the member of the Organization and the Head of International Relations.

² Sargis Gevorgyan is the member of the Organization and the Chief Director.

³ Arthur Sahakyan is the Executive Director of the Organization.

15. Other disclosures in accordance with UEFA requirements

These are additional disclosures provided in accordance with Europe League requirements.

- As at 31 March 2022 the Organization does not have expired debts on transfers that refer to 2021.
- As at 31 March 2022 the Organization does not have expired debts to employees that refer to unpaid wages and other contributions for the year 2021.
- As at 31 March 2022 the Organization does not have expired debts to budget on taxes and other mandatory payments that refer to 2021.
- As at 31 March 2022 the Organization does not have expired debts to other football clubs that refer to 2021.

16. External environment and Organization’s activities

Organization operates in RA, and Armenian economic situation and financial markets characterized by emerging market features have direct influence on its operation. Legal, tax and legislative systems continue developing in spite of various comments and are subjects of frequent changes may cause additional difficulties, among all the other obstacles, for the organizations operating in Armenia.

As viewed before, factual or seemingly financial problems or possible risks regarding investments often have negative impact on Armenian investment environment and its general economic state. General economic state, legislative and work changes, directly effecting assets assessment, overall attitude of investors, and decision-making process, may have negative influence on the Organizational assets. All this is out of Organization’s control.

The Russian-Ukrainian conflict is in an active phase in the preparation of these financial statements. It is already clear that it will have a great impact not only on the region but on the whole world. It will not bypass Armenia either.

International sanctions and restrictions on the Russian Federation may be grounds for disruption of the organization operating in Armenia if such sanctions are imposed on its shareholders, participants, or partners.

Organizations with active operational, economic, and commercial relations with companies operating in Russia or Ukraine should take into account the following possible risks:

- restrictions on trade and economic activities;
- interruption of supplies;
- impairment of assets;
- determination of fair value;
- difficulties in obtaining additional funding and etc.

Despite legal, regulative, and political development, Armenia’s future economic development is significantly influenced by fiscal and monetary policies accepted by the government. The management does not have the possibility to predict all future developments that can influence the economy. Therefore, it cannot predict their consequences on net assets value changes of the Organization. The financial statements presented reflect current operational and business environment influence on Organizational activities and financial results. Future business environment may differ from the management assessments.

17. Impact of the pandemic

On March 11, 2020, World Health Organization (WHO) announced described the spread of coronavirus as a pandemic. In 2020 and 2021 the virus had a significant influence on the world economy. Organizations experienced losses and failed supply chain issues. Although some countries tried to mitigate restrictions the mitigations have been gradual, and as a result of organizational activity interruptions, millions of employees lost their jobs. The pandemic caused significant instability in financial and commodity markets all over the world. Governments of different countries took action for helping affected economic sectors and providing financial or non-financial assistance to the organizations.

Economic restrictions have also affected on lease contracts of organizations. Since the spread of coronavirus Armenian government presented more than two dozen programs to address COVID-19 impact a part of which are aimed at the social impact and the rest were aimed for the economic impact of the virus.

18. Exchange rate risks

The labile condition of the exchange rates of the Armenian dram and foreign currencies has a significant influence on the Organisation's activity. The labile condition of the exchange rates of the Armenian dram and foreign currencies has a significant influence on the Organisation's activity. The comparably stable condition of foreign currencies reflects the results of the monetary policy run by the Armenian government during the world financial crisis. But the low economic and institutional level in line with regional instability and centralized economy basis make obstacles for least developed economy of RA. As a result the Organisation's foreign currency risks still remain high for the period after balance sheet date.

While operating the Organization conducts foreign currency transactions and is subject to the influence of exchange rate instability. The Organization cannot evaluate the influence of these changes with confidence. As of December 31, 2021, foreign currency is not a significant amount in the Organization's cash (see note 3).

The Organisation management cannot confidently assess the influence of uncertain changes of exchange rates on the Organisation's activities.

19. Conditional tax obligations

RA taxation system is relatively new with frequently changing legislation which often requires explanation. Various tax and legal authorities often provide different explanations. Taxes are a subject of reviewing and study by tax authorities who by law are authorized to suggest fines and penalties.

The above-mentioned circumstances may become a result of several tax risks. The Management is sure it has fulfilled relevant tax obligation allocations based on their explanation of tax legislation. Nevertheless, explanations of relevant authorities may differ.

20. Ability to act continuously and uncertainties

The Organization's 2021 financial statements include the impact of COVID-19 pandemic and post-war financial adjustments as of the date of the financial statements, which could have been assessed reliably in the Republic of Armenia.

According to the management, there are no significant uncertainties for going concern.

Before applying the principle of continuity in the preparation of these financial statements, management has assessed the Organization's ability of going concern by identifying matters relating to them.

The management considers it its duty to mention: as long as there are certain uncertainties, such as pandemics, regional conflicts, and domestic political events, there are doubts and assumptions about them, the Organization cannot estimate with certainty the extent to which they may affect the balance amounts of its assets and liabilities, if such facts were to emerge in the future, there would be a need to make adjustments to the Organization's 2021 financial statements.

R. Gevorkyan
President



M. Tadevosyan
Chief Accountant

14 April, 2022