



**«PYUNIK FC»
NON GOVERNMENTAL ORGANIZATION
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2021



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Independent Auditor's Report

To the Management of "Pyunik FC" NGO

Opinion

We have audited the financial statements of "Pyunik FC" NGO (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the statement of profit or loss and other comprehensive income, and statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Organization as of December 31, 2021, and of its financial performance, changes in net assets and its cash flows for the year then ended in accordance with International Financial Reporting Standard (IFRS).

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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements for the year ended 31 December 2020 have been audited by another auditor. On April 14, 2021 he expressed an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Organizations ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organizations financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

“AUDIT ARMENIA” CJSC

Anna Avetisyan

Director, Audit manager



April 8, 2022

Yerevan



«PYUNIK FC» NGO
 STATEMENT OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2021

| In KAMD | Notes | As of December 31, 2021 | As of December 31, 2020 |
|------------------------------------|-------|-------------------------------|-------------------------------|
| Assets | | | |
| <i>Current assets</i> | | | |
| Cash and cash equivalents | 4 | 66,647 | 24,435 |
| Receivables from players transfers | | - | - |
| Receivables from related parties | | - | - |
| Other receivables | 5 | 22,453 | 27,895 |
| Current tax assets | | 1,954 | 2,345 |
| Given borrowings | 6 | 8,500 | 22,748 |
| Inventories | 7 | 109,932 | 121,114 |
| | | 209,486 | 198,537 |
| Non-current assets | | | |
| Property and equipment | 8 | 147,022 | 137,969 |
| Intangible assets | | 1,689 | 2,020 |
| | | 148,711 | 139,989 |
| Total assets | | 358,197 | 338,526 |
| Current liabilities | | | |
| Borrowings from related parties | 9 | 443,349 | 432,119 |
| Payables from player transfers | | - | - |
| Payables for employees | | 260 | 379 |
| Taxes and duties payable | | 5,925 | 6,309 |
| Income tax payable | 16 | 7,304 | 4,706 |
| Leases | 10 | 16,407 | 16,853 |
| Advances | | 20 | - |
| Grants related to income | 12 | 36,718 | - |
| Payables for the unused paid leave | | 8,200 | 8,804 |
| Trade and other payables | | 4,531 | 1,786 |
| | | 522,714 | 470,956 |
| Non-current liabilities | | | |
| Grants related to assets | 11 | 99,278 | 121,157 |

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

| In KAMD | Note | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|------|------------------------------------|------------------------------------|
| <i>Revenue and income</i> | | | |
| Ticket sales | | - | 12 |
| Advertising services | | 19,500 | 22,469 |
| Broadcast permissions | | - | 1,612 |
| Commercial | | 16,022 | 1,854 |
| Income from UEFA solidarity payments | | - | 168,522 |
| Other operating income | 13 | 1,249,470 | 1,018,125 |
| Total income | | 1,284,992 | 1,212,594 |
| Players benefits | | (563,471) | (385,641) |
| Employees benefits | | (105,868) | (91,661) |
| Depreciation | | (39,042) | (49,789) |
| Amortization | | (3,672) | (1,734) |
| Hotel expenses | | (82,862) | (51,399) |
| Air tickets expenses | | (16,999) | (27,033) |
| The costs of the coaches and other services | | (256,581) | (182,518) |
| The costs of training, clothing and other accessories | | (81,788) | (73,085) |
| Entrance fees for participation | | (6,000) | (700) |
| Other operating expenses | 14 | (167,037) | (194,573) |
| Total expenses | | (1,323,320) | (1,058,133) |
| Operating profit/loss | | (38,328) | 154,461 |
| Income from transfer of players' registrations | | 7,090 | 3,119 |
| Total income from transfer of players' registrations | | 7,090 | 3,119 |
| Loss on disposal of fixed assets | | - | (68,992) |
| Total loss from fixed assets | | - | (68,992) |
| Finance cost | 15 | (1,486) | (23,139) |
| Foreign currency exchange gain, net / (loss) | | (22) | 60,513 |
| Net financial income | | (1,508) | 37,374 |
| Profit/loss before taxes | | (32,746) | 125,962 |
| Income tax expense | 16 | (7,304) | (4,706) |
| Profit/loss for the year | | (40,050) | 121,256 |

«PYUNIK FC» NGO
 STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (continued part 2)

| In KAMD | Note | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|------|------------------------------------|------------------------------------|
| Other comprehensive income | | - | - |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | (40,050) | 121,256 |

The notes to the financial statements form an integral part of the financial statements.

«PYUNIK FC» NGO
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

| In KAMD | Accumulated profit/loss | Total |
|-----------------------------------|----------------------------|-----------|
| As of January 01, 2020 | (373,630) | (373,630) |
| Correction of prior period errors | (1,213) | (1,213) |
| Profit for the year | 121,256 | 121,256 |
| Other comprehensive income | 121,256 | 121,256 |
| As of December 31, 2020 | (253,587) | (253,587) |
| Loss for the year | (40,050) | (40,050) |
| Other comprehensive income | (40,050) | (40,050) |
| As of December 31, 2021 | (293,637) | (293,637) |

The notes to the financial statements form an integral part of the financial statements

«PYUNIK FC» NGO
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2021

| In KAMD | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|------------------------------------|------------------------------------|
| Cash flows from operating activities | | |
| Result for the year | (40,050) | 121,256 |
| <i>Adjustments for:</i> | | |
| Profit tax | 7,304 | 4,706 |
| Depreciation and amortization | 42,714 | 51,523 |
| Revenue from grants | (1,247,870) | (1,012,507) |
| Loss on disposal of fixed assets | - | 68,992 |
| Finance cost | 1,486 | 20,148 |
| Foreign exchange (gain)/loss | 22 | (60,513) |
| <i>Operating profit/(loss) before working capital changes</i> | (1,236,394) | (806,395) |
| Change in inventories | 11,182 | (97,765) |
| Change in other receivables | 5,833 | 160,498 |
| Change in trade and other payables | 29,216 | (4,020) |
| Cash generated from/(used in) operations | (1,190,163) | (747,682) |
| Income tax paid | (4,706) | (3,907) |
| Interest paid | | (20,148) |
| Net cash from/(used in) operating activities | (1,194,869) | (771,737) |
| Cash flows from investing activities | | |
| Acquisition of property and equipment, intangible assets | (51,436) | 97,023 |
| Cash from borrowings | 14,248 | 40,120 |
| <i>Net cash used in investing activities</i> | (37,188) | 137,143 |
| <i>Cash flows from financing activities</i> | | |
| Receipt of a grant | 1,262,709 | 950,609 |
| Borrowings | 11,230 | (300,807) |
| <i>Net cash generated from financing activities</i> | 1,273,939 | 649,802 |
| Net increase in cash and cash equivalents | 41,882 | 15,208 |
| Foreign exchange effect on cash | 330 | 96 |
| Cash and cash equivalents at the beginning of the year | 24,435 | 9,131 |
| <i>Cash and cash equivalents at the end of the year</i> | 66,647 | 24,435 |

The notes to the financial statements form an integral part of the financial statements

Notes to the financial statements

1 Nature of operations and general information

“Pyunik FC” NGO (the “Organization”) is a type of public association of RA citizens, citizens of foreign countries, stateless persons, legal entities, which has the status of a non-profit organization. The Organization was registered in the state register on May 21th, 2002. The registration number of the Organization is: 211.171.00908.

The main aims of the Organization is:

- To support development of football, as well as development and expansion of all sports in the Republic of Armenia and outside,
- To organize dissemination of various information about football,
- To implement of football education, trainings of coaches, athletes, fans,
- To organize sport and cultural, especially football events,
- To combat against the use of banned stimulants by international sports organizations,
- To protect the social rights of athletes, coaches and veterans,
- To implement children`s sport and cultural education, establish and manage football clubs.

The highest level of governance is the Participants Assembly. The Assembly shall be convened once in 2 years. The Assembly convenes, its order and dates determined by the Board.

The Board of the Organization shall be elected for 2 years by the Assembly. The Board of Organization consists of 3 members from whom the Board elects the Prezident of the Board for 2 years. The director of the Organization is elected by the Assembly for 2 years.

The average number of employees of the Organization as of 31 December, 2021 is 85 (in 2020: 76).

The location of the Organization is apartment 4/7, Tsitsernakaberd Highway, Yerevan, RA.

2 Basis of preparation

2.1 Statement of compliance

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

IFRSs do not currently contain specific guidelines for accounting and financial reporting for non-profit and non-governmental organizations. If IFRS does not provide guidance to nonprofits on accounting for specific transactions, the accounting policy should be based on the general principles of IFRS, in accordance with the International Accounting Standards Board (IASC) *“Fundamentals of Preparation and Presentation of Financial Statements.”*

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of certain financial instruments that have been prepared on the present value discounted cost of future cash flow.

2.3 Functional and presentation currency

The national currency of Armenia is the Armenian dram (“dram” or “AMD”), which is the Organization’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Organization.

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

2.4 Use of estimates and judgment

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

3 Significant accounting policies

The significant accounting policy approaches used in prepared financial statements are set out below.

3.1 Foreign currencies

Foreign currency transactions

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

| | As of 31 December, 2021 | As of 31 December, 2020 |
|-----------|----------------------------------|-------------------------------|
| RUB | 6.42 | 7.02 |
| US dollar | 480.14 | 522.59 |
| EUR | 542.61 | 641.11 |

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

3.2 Property and Equipment

Equipment stated at cost

Property and Equipment (The PE) are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes

and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

| | |
|--|--------------|
| Buildings and constructions(including stadium) | 10-20 years, |
| Computer equipment | 1 year, |
| Machinery and equipment | 3-10 years, |
| Motor vehicles | 5 years, |
| Furniture and fixtures, office equipment | 5 years, |
| Other | 5- 10 years: |

3.3 Impairment of property and equipment

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

Recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

3.4 Leases

Organization, as a lessee, at the commencement date, recognises a right-of-use asset and a lease liability except for low-value and short-term leases, with the exceptions provided for in IFRS 16.

Initial recognition

At the commencement date, the Organization measures the right-of-use asset at cost which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

| | |
|--|--------------|
| Buildings and constructions(including stadium) | 10-20 years, |
| Computer equipment | 1 year, |
| Machinery and equipment | 3-10 years, |
| Motor vehicles | 5 years, |
| Furniture and fixtures, office equipment | 5 years, |
| Other | 5- 10 years: |

3.3 Impairment of property and equipment

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

Recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

3.4 Leases

Organization, as a lessee, at the commencement date, recognises a right-of-use asset and a lease liability except for low-value and short-term leases, with the exceptions provided for in IFRS 16.

Initial recognition

At the commencement date, the Organization measures the right-of-use asset at cost which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

At the commencement date, an Organization measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Organization uses its incremental borrowing rate.

Subsequent measurement

After the commencement date, an Organization measures the right-of-use asset at cost:

- Less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any remeasurement of the lease liability

The basis for the depreciation of the right of use assets is the Organization's depreciation policy. After the commencement date, an Organization measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made, and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

3.5 Inventories

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

3.6 Recieved grants

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

Received grants whose primary condition is that the Organization should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other received grants are recognized as income over the periods necessary to match them with the cost for which they are intended to compensate, on a systematic basis. Received grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Organization with no future related costs are recognized in profit or loss in the period in which they become receivable.

3.7 Income tax

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

Current and deferred taxes are recognized in profit or loss, except when the tax relates to a business combination or to an item that is recognized directly in equity.

3.8 Revenue

Gaming day revenue is recognized during the reporting year. Proceeds from each game day must be recognized only when the game match has already taken place. Gaming day revenue received in advance until the end of the reporting year but refers to the next season (for example, season ticket sales), should be recorded as deferred income (income) and be recognized along with the holding of game matches.

Sponsorship and advertising

Sponsorship and advertising include the general sponsor of the club, other sponsors, stadium outline and display advertisement, like any other type of sponsorship or advertising activity.

Broadcast rights

The income from broadcasting rights is the funds received from contracts concluded with the media. Distributed based on the representation of the television market, as well as participation fees are recognized in parallel with the conduct of game matches. Prize money from the club's gaming achievements is recognized, when their receipt becomes certain.

Trading revenue

Trading revenue consists of children`s sport education.

Solidarity and UEFA prize money

UEFA prize money is the funds received for participating in UEFA club tournaments. The participation fee, distributed on the basis of the representation of the television market, is recognized in parallel with the conduct of game matches. Prize money from the club's gaming achievements is recognized, when their receipt becomes certain. UEFA solidarity fees must be recognized, when the amount received becomes certain.

Other income

Other income includes donations, grants, any unusual operating income, as well as other income not classified in the previous five groups.

3.9 Provisions

A provision is recognized in the statement of financial position when the Organisation has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.10 Employee benefits

Short-term employee benefits include wages, salaries, short-term compensated absences (such as paid annual leave and paid sick leave), and bonuses.

3.11 Financial instruments

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

- An overview of all financial instruments held by the Organization's
- Accounting policies

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

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

attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification of financial assets

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

Classification of financial liabilities

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

Financial assets at amortized cost

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

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

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

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

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

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

Financial liabilities at amortized cost

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

Derecognition of financial assets

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

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

Derecognition of financial liabilities

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

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

Impairment of financial instruments

The Organization recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts.

The amount of "Expected credit losses" (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not

increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

4. Cash and cash equivalents

| In KAMD | As of December 31, 2021 | As of December 31, 2020 |
|---------------|----------------------------|----------------------------|
| Cash in hand | 2,642 | 1,898 |
| Bank accounts | 64,005 | 22,537 |
| | 66,647 | 24,435 |

5. Receivables

| In KAMD | As of December 31, 2021 | As of December 31, 2020 |
|----------------------------------|----------------------------|----------------------------|
| Receivable for the sale of goods | 285 | 479 |
| Receivable for services | 1,500 | 2,915 |
| Advances issued | 20,397 | 23,942 |
| Other | 271 | 559 |
| | 22,453 | 27,895 |

6. Borrowings provided

Borrowings without collateral to related and third parties are expressed in Armenian drams and are non-interest bearings and are fully recoverable. The fair value of these borrowings are equal to their carrying amount as the effect of discounting is not significant.

| In KAMD | Current | | Non-current | |
|-------------------------------|----------------------------|----------------------------|-------------------------------|-------------------------------|
| | As of December 31, 2021 | As of December 31, 2020 | As of December 31, 2021 | As of December 31, 2020 |
| <i>Unsecured borrowings</i> | | | | |
| Borrowings to related parties | 8,500 | - | - | - |
| Borrowings to third parties | - | 22,748 | - | - |
| | 8,500 | 22,748 | - | - |

7.Inventory

| In KAMD | As of December 31, 2021 | As of December 31,2020 |
|----------------------------|----------------------------|---------------------------|
| Sportswear and accessories | 101,464 | 114,897 |
| Office supplies | 2,407 | 2,322 |
| Fuel | 1,233 | - |
| Other | 4,828 | 3,895 |
| | 109,932 | 121,114 |

8. Property and equipment

| In thousand drams | Artificial grass carpet | Machinery and equipment | Motor vehicles | Furniture and fixtures | Right-of-use assets | Other | Total |
|---------------------------------|-------------------------|-------------------------|----------------|------------------------|---------------------|----------|-----------|
| <i>Cost</i> | | | | | | | |
| As of January 1, 2020 | 218,742 | 13,134 | 129,817 | 1,520 | 45,498 | 76,645 | 485,356 |
| Additions | - | 109 | - | 791 | - | 1,257 | 2,157 |
| Disposals | (350) | (13,134) | (129,817) | (1,520) | - | (76,974) | (221,795) |
| As of December 31, 2020 | 218,392 | 109 | - | 791 | 45,498 | 928 | 265,718 |
| Additions | - | 1,232 | - | - | 44,764 | 2,099 | 48,095 |
| Disposals | - | - | - | - | (45,498) | - | - |
| As of December 31, 2021 | 218,392 | 1,341 | - | 791 | 44,764 | 3,027 | 313,813 |
| <i>Accumulated depreciation</i> | | | | | | | |
| As of January 1, 2020 | 76,162 | 7,788 | 16,703 | 485 | 14,418 | 12,273 | 127,829 |
| Charge for the year | 21,845 | 1,222 | 6,214 | 102 | 15,208 | 5,198 | 49,789 |
| Disposals | (26) | (9,003) | (22,917) | (541) | - | (17,382) | (49,869) |
| As of December 31, 2020 | 97,981 | 7 | - | 46 | 29,626 | 89 | 127,749 |
| Charge for the year | 21,781 | 651 | - | 99 | 15,872 | 639 | 39,042 |
| Disposals | - | - | - | - | (45,498) | - | - |
| As of December 31, 2021 | 119,762 | 658 | - | 145 | - | 728 | 166,791 |
| <i>Carrying amount</i> | | | | | | | |
| As of December 31, 2020 | 120,411 | 102 | - | 745 | 15,872 | 839 | 137,969 |
| As of December 31, 2021 | 98,630 | 683 | - | 646 | 44,764 | 2,299 | 147,022 |

Property and equipment with a cost of drams 158 thousand are accounted for at zero carrying value as of December 31, 2021 (December 31, 2020: 117 thousand dram).

Right-of-use assets are areas rented from a related party that are necessary for the Organization's activities. The leased areas include an archery building, a football building, a hockey building, and other ancillary buildings and adjacent land

As of December 31, 2021, there are no restrictions on property and equipment.

9 Received borrowings

| In KAMD | Current | | Non-current | |
|---------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | As of December 31, 2021 | As of December 31, 2020 | As of December 31, 2021 | As of December 31, 2020 |
| <i>Unsecured borrowings</i> | | | | |
| Borrowings from related parties | 443,349 | 432,119 | - | - |
| | 443,349 | 432,119 | - | - |

10 Lease

The organization carries out its activities on the basis of a long-term lease agreement at the address Tsitsernakaberd highway 4/7. The right to use premises acquired for long-term lease is disclosed in note 8. An entity applies the requirements of IAS 16 to measure the right to use an asset. The non-cancellable term of the long-term lease is 3 years. Interest expenses on long-term lease payments during the reporting year amounted to 1,486 thousand drams. The total montly rent for long-term leases are 1,500 thousand drams without taxes.

In 2021, the rental cost of the leased property amounted to 2,400 thousand drams.

Lease liabilities presented in the Statement of financial position.

| In KAMD | As of December 31, 2021 | As of December 31, 2020 |
|---|----------------------------|----------------------------|
| Long-term lease liability (non-current portion) | 29,842 | - |
| Long-term lease liability (current portion) | 16,407 | 16,853 |
| Short-term lease liability | 240 | - |
| | 46,489 | 16,853 |

11 Grants related to assets

| In KAMD | As of December 31, 2021 | As of December 31, 2020 |
|----------------------|-------------------------|-------------------------|
| Balance at 1 January | 121,157 | 183,055 |
| Additions | - | 792 |

| | | |
|------------------------|----------|----------|
| Recognized income | (21,879) | (62,690) |
| Balance at 31 December | 99,278 | 121,157 |

12 Grants related to income

| In KAMD | As of December 31, 2021 | As of December 31, 2020 |
|------------------------|-------------------------|-------------------------|
| Balance at 1 January | - | - |
| Additions | 1,262,709 | 949,817 |
| Income from grants | (1,225,991) | (949,817) |
| Balance at 31 December | 36,718 | - |

The essential balance of the grants related to income is a sportswear.

13 Other operating income

| In KAMD | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---------------------------------|---------------------------------|---------------------------------|
| Income from donations | 1,225,991 | 949,817 |
| Grants income related to assets | 21,879 | 62,690 |
| Other income | 1,600 | 5,618 |
| | 1,249,470 | 1,018,125 |

14 Other operating expenses

| In KAMD | Year ended December 31, 2021 | Year ended December 31, 2020 |
|---|---------------------------------|---------------------------------|
| Medical support expenses | 25,284 | 30,045 |
| Expenses for supporting services | 17,060 | 10,727 |
| Gratuitous provided assets | - | 29,653 |
| Audit and consulting costs | 15,650 | 14,484 |
| Office, representative and utility expenses | 9,526 | 5,775 |
| Transportation expenses | 164 | 4,322 |
| Penalty and fine | 3,298 | 2,803 |
| Transfer expenses | 17,540 | - |
| Construction works and renovations | 7,190 | 7,057 |
| Printing expenses | 634 | 1,545 |
| Guard services | 8,406 | 7,142 |
| Bank expenses | 344 | 485 |
| Foreign currency conversion expenses | 7,390 | 8,050 |
| Lease expenses | 4,419 | 7,283 |
| Prepayment write-off costs | 12,407 | - |
| Reimbursement of football players' expenses | - | 17,100 |
| Other expenses | 37,725 | 48,102 |
| | 167,037 | 194,573 |

15 Finance costs

In thousand drams

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|----------------------------------|---------------------------------|---------------------------------|
| Interest expenses on overdrafts: | - | 121 |

| | | |
|---------------------------------|-------|--------|
| interest expenses on borrowings | | 20,027 |
| interest expenses on lease | 1,486 | 2,991 |
| | 1,486 | 23,139 |

16 Other financial items, net

| | | |
|------------------------------------|---------------------------------|---------------------------------|
| In thousand drams | Year ended December 31, 2021 | Year ended December 31, 2020 |
| <i>Foreign exchange effect on:</i> | | |
| Cash and cash equivalents | 330 | 96 |
| Trade receivables | - | 98 |
| Trade payables | (352) | 21 |
| Loans | - | 60,298 |
| | (22) | 60,513 |

17 Income tax expense

| | | |
|-------------------|---------------------------------|---------------------------------|
| In thousand drams | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Current tax | 7,304 | 4,706 |
| | 7,304 | 4,706 |

18 Financial instruments

17.1 Accounting policies

details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.10-nüf:

17.2 Categories of financial instruments

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

Financial assets

| | | |
|---------------------------|----------------------------|----------------------------|
| In thousand drams | As of December 31, 2021 | As of December 31, 2020 |
| <i>Receivable</i> | | |
| Trade receivable | 1,785 | 3,994 |
| Cash and cash equivalents | 66,647 | 24,435 |
| Borrowings | 8,500 | 22,748 |
| | 76,932 | 51,177 |

Financial liabilities

| | | |
|-------------------|----------------------------|----------------------------|
| In thousand drams | As of December 31, 2021 | As of December 31, 2020 |
|-------------------|----------------------------|----------------------------|

Financial liabilities measured at amortized cost

| | | |
|---------------------|---------|---------|
| Received borrowings | 443,349 | 432,119 |
| Trade payables | 4,531 | 1,784 |
| | 447,880 | 433,903 |

19 Financial risk management

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

a. Financial risk factors

i. Market risk

The Organization's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity price coming from operation and investment activities.

ii. Foreign currency risk

The main part of Organization transactions are realized in Armenian drams and Russian rubles.

iii. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Organization.

At the reporting date there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

iv. Liquidity risk

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

20 Fair Value

Management believes that the carrying amount of financial assets and financial liabilities recorded at amortized cost in the financial statements approximates their fair values.

21 Conventions

a. Business environment

The changes in political and economic environment and the development of the legal, tax and legislative systems in Armenia have continuing nature. The stability and development of the Armenian economy largely depends on these changes. The government has brought a renewed commitment to good governance, including anticorruption efforts, transparency, and accountability.

In March 2020 the World Health Organization has classified the coronavirus (COVID-19), which has exploded in China in December 2019, as pandemic. The coronavirus has already had a significant impact on the global economy and major financial markets.

Continuous measures were introduced by the Government and the Central Bank of the Republic of Armenia to mitigate the impact of the coronavirus on the economy. These measures include, among others, subsidized lending to affected industries and individuals and payment holidays.

The Organization's management considers its current liquidity position to be sufficient for the sustainable functioning. The Organization monitors its liquidity position on regular basis and intends to use appropriate liquidity position instruments, if necessary.

The situation in the Republic of Armenia has intensified as a result of the war unleashed by the Republic of Azerbaijan. Despite the ceasefire agreement, the consequences of the war on Armenia's economy, both in the short and long term, are still uncertain.

The Ukrainian conflict of 2022 spread very quickly, which has a great impact and will still have on the whole world.

The devaluation of the ruble will not have a significant impact on money transfers denominated in rubles. Instead, it will affect the dollar value of these transfers. Naturally, money transfers denominated in US dollars will decrease somewhat. Historically, the Armenian economy has faced similar shocks several times. Unlike in previous times, currently the Armenian economy is much less dependent on the volume of money transfers, and the weight of the Russian Federation in these money transfers is much less. We believe that a certain reduction in remittances will have a negative impact on the domestic demand of Armenia, but we do not estimate this impact very much.

These events may have a further significant impact on the Organization's future operations and financial stability, the full consequences of which are currently difficult to predict. The future economic and political situation and its impact on the Organization's operations may differ from the management's current expectations.

These financial statements do not reflect the potential future impact of the above on the Organization's operations.

b. Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Organization does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Organization property, or relating to the Organization operations. Until the Organization obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Organization's operations and financial position.

c. Taxes

The taxation system in Armenia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose severe fines and penalties.

d. Environmental matters

Management is of the opinion that the Organization has met the Government's requirements concerning environmental matters and, therefore, believes that the Organization does not have any current material environmental liabilities.

However, environmental legislation in Armenia is in process of development and potential changes in the legislation and its interpretation may give rise to material liabilities in the future.

22 Related party transactions

a. Control

The ultimate controller of Organization is a citizen of Russia, Artur Soghomonyan.

In case of presented statements, the party related to the Organization's are under common control Companies, director of the Companies and persons related with them.

Details of transactions with the related parties during the reporting period are presented below.

1. Transactions with the participant.

| In KAMD | The balance as of December 31.2021 | 2021 | The balance as of December 31.2020 |
|----------------------------------|---------------------------------------|---------|--|
| Received grants and donations | - | 517,641 | - |
| | (517,641) | | |
| | | | |
| | The balance as of December 31.2020 | 2020 | The balance as of December 31.2019 |
| Received grants and donations | - | 129,929 | - |
| | (129,929) | | |
| Borrowings provided | - | - | 50,868 |
| | (50,868) | | |

2. Transactions with the under common control organizations.

| In KAMD | The balance as of December 31.2021 | 2021 | The balance as of December 31.2020 |
|----------------------------------|---------------------------------------|---------|---------------------------------------|
| Borrowings provided | | | - |
| Borrowings received | 443,349 | 202,500 | 432,119 |
| Lease | 2,040 | 24,480 | - |
| Received grants and donations | 35,267 | 732,367 | - |
| | (697,100) | | |
| | | | |
| | The balance as of December 31.2020 | 2020 | The balance as of December 31.2019 |
| Borrowings provided | - | 70 | - |
| Borrowings received | 432,119 | 318,564 | 792,955 |
| Lease | - | 23,040 | - |
| Sales | - | 102,944 | - |
| Received grants and donations | - | 773,597 | - |
| | (773,597) | | |

3. Transactions with management.

| In KAMD | The balance as of December 31.2021 | 2021 | The balance as of December 31.2020 |
|---------------------|---------------------------------------|-------|---------------------------------------|
| Borrowings provided | 8,500 | 8,500 | - |
| Salary | - | 7,601 | - |
| | (7,601) | | |
| | | | |
| | The balance as of December 31.2020 | 2020 | The balance as of December 31.2019 |

| | | | | |
|--------|---|---------|-------|---|
| Salary | - | (1,000) | 1,000 | - |
|--------|---|---------|-------|---|
