

PKF AUDIT SERVICE LLC



**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT OF  
«NORAVANK SPORTS CLUB» LLC  
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 31  
DECEMBER 2021**



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## INDEPENDENT AUDITOR'S REPORT

To the participants of «NORAVANK SPORTS CLUB» LLC

### QUALIFIED OPINION

We have audited the financial statements of «NORAVANK SPORTS CLUB» LLC (the "Company") which comprise Statement of Financial Position for the years ended 31 December 2020 and 31 December 2021, Statement of Comprehensive Income, Statement of Changes in Equity 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, except for the possible impact of the issue described in the "Basis for qualified opinion" section of our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company for the years ended 31 December 2020 and 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 QUALIFIED OPINION

«NORAVANK SPORTS CLUB» LLC was founded on January 22, 2020 and in the audited period the net assets had amounted to AMD -59,963 thousand as of 31.12.2020, and as of 31.12.2021 had amounted to AMD -94,893 thousand. Thus, according to the requirements of Article 34, Clause 3 of the RA Law on Limited Liability Companies, if after the end of the second or each subsequent financial year the value of the company's net assets is less than the authorized capital, the company is obliged to declare a decrease in its authorized capital and record its decrease in the prescribed manner. If the value of the listed assets of the company is negative, the company is subject to liquidation.

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 Company in accordance with the International Ethics Standards 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 enough and appropriate to provide a basis for our opinion.

## **RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

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

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

Those charged with governance are responsible for overseeing the Company'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 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 based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 enough 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 Company'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 Company'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 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 Company 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.

Yerevan, 15/04/2022

PKF AUDIT SERVICE LLC

Director

Licensed Auditor

Gor Davtyan

Licensed Auditor

Arpine Khachatryan



*"NORAVANK SPORTS CLUB" LLC*

*Financial statements for the years ended 31 December 2020 and 31 December 2021*

## **Contents**

1. Statement of Financial Position
2. Statement of Comprehensive Income
3. Statement of Changes in Equity
4. Statement of Cash Flows
5. Notes to the Financial Statements

"NORAVANK SPORTS CLUB" LLC

Financial statements for the years ended 31 December 2020 and 31 December 2021

STATEMENT OF FINANCIAL POSITION

(Presented in thousands of AMD)	Note	31 December 2021	31 December 2020
<b>Current assets</b>			
Cash and cash equivalents		14,748	15,757
Accounts receivable on player transfers		-	-
Other receivables	7	2,720	26
Prepayments made		2,997	31,923
Current tax assets		12,368	22,039
Inventories		6,241	19,551
<b>Total current assets</b>		<b>39,074</b>	<b>89,296</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	181,568	90,907
Intangible assets: players	App. 1		
Other intangible assets			
Accounts receivable on player transfers		-	-
<b>Total non-current assets</b>		<b>181,568</b>	<b>90,907</b>
<b>Total assets</b>		<b>220,642</b>	<b>180,203</b>
<b>Current liabilities</b>			
Bank overdrafts and other loans			
Borrowings from Group/related parties	10	6,278	-
Accounts payable on player transfers	App. 2		
Accounts payable on salaries and other short-term benefits	App. 3	15	38
Accounts payable on taxes and other mandatory payments	App. 4	3,867	1,508
Other accounts payable		649	319
Deferred income			
Other short-term liabilities			
<b>Total current liabilities</b>		<b>10,809</b>	<b>1,865</b>

**"NORAVANK SPORTS CLUB" LLC**

*Financial statements for the years ended 31 December 2020 and 31 December 2021*

<b>Non-current liabilities</b>			
Bank and other loans			
Borrowings from Group/related parties	9	302,968	238,301
Accounts payable on player transfers	App. 2		
Accounts payable on salaries and other benefits	App. 3		
Accounts payable on taxes and other mandatory payments	App. 4		
Other accounts payable			
Deferred income		1,758	-
<b>Total non-current liabilities</b>		<b>304,726</b>	<b>238,301</b>
<b>Total liabilities</b>		<b>315,535</b>	<b>240,166</b>
<b>Net assets / (liabilities)</b>		<b>(94,893)</b>	<b>(59,963)</b>
<b>Equity</b>			
Share/charter capital		10	10
Retained earnings		(94,903)	(59,973)
Provisions			
<b>Total equity</b>		<b>(94,893)</b>	<b>(59,963)</b>

"NORAVANK SPORTS CLUB" LLC

Director:

Authorized representative of "iFinance" LLC

15 April, 2022



A. Lisikyan

S. Khachatryan

"NORAVANK SPORTS CLUB" LLC

Financial statements for the years ended 31 December 2020 and 31 December 2021

STATEMENT OF COMPREHENSIVE INCOME

(Presented in thousands of AMD)	Note	2021	2020
<b>Revenue</b>			
Ticket sales		-	-
Sponsorship and advertising		-	-
Broadcasting rights		-	-
Commercial		-	-
UEFA support funds	2	-	5,758
Other operating income	2	123,896	85
<b>Total revenue</b>		<b>123,896</b>	<b>5,843</b>
<b>Expenses</b>			
Cost of sales (materials)			
Salary expenses (players)	3	(37,934)	(10,588)
Salary expenses (other employees)	3	(55,156)	(18,295)
Depreciation of property, plant and equipment	8	(8,311)	(1,573)
Amortization of intangible assets (excluding player registration costs)	9	-	-
Impairment of property, plant and equipment (excluding player registration costs)		-	-
Other operating expenses	4	(80,536)	(19,731)
<b>Total operating costs (excluding player registration costs)</b>		<b>(181,937)</b>	<b>(50,187)</b>
<b>Operating profit (loss)</b>		<b>(58,041)</b>	<b>(44,344)</b>
<b>Acquisition and disposal of player registration</b>			
Amortization of intangible assets (player registration)			
Impairment of intangible assets (player registration)			
Profit/loss on registration disposal			
Registration costs (including non-capitalized fees to agents / brokers and player rental fees)		(290)	(705)
Income from player registration disposal (including rental income)		200	17
<b>Total player acquisition and disposal</b>	App. 1	<b>(90)</b>	<b>(688)</b>
Gain (loss) from disposal of property, plant and equipment			
Gain (loss) on disposal of intangible assets			
<b>Total gain (loss) on disposal of non-current assets</b>		<b>-</b>	<b>-</b>
<b>Financial result</b>			



**"NORAVANK SPORTS CLUB" LLC**

**Financial statements for the years ended 31 December 2020 and 31 December 2021**

Financial income			
Financial expenses:			
Foreign exchange gain (loss), net	5	24,818	(13,926)
<b>Net financial income (expenses)</b>		<b>24,818</b>	<b>(13,926)</b>
Other income (non-operating)			
Other expenses (non-operating)	6	(1,617)	(1,015)
<b>Profit (loss) before tax</b>		<b>(34,930)</b>	<b>(59,973)</b>
<b>Profit tax</b>		-	-
<b>Net profit (loss) for the year</b>		<b>(34,930)</b>	<b>(59,973)</b>

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Financial statements for the years ended 31 December 2020 and 31 December 2021

STATEMENT OF CHANGES IN EQUITY

(Presented in thousands of AMD)	Charter (share) capital	Retained earnings	Total
<b>Balance as of 1 January, 2020</b>	-	-	-
Increase of charter capital	10		10
Profit ( loss ) for the year		(59,973)	(59,973)
<b>Balance as of 31 December, 2020</b>	<b>10</b>	<b>(59,973)</b>	<b>(59,963)</b>
Increase of charter capital	-		
Profit ( loss ) for the year		(34,930)	(34,930)
<b>Balance as of 31 December, 2021</b>	<b>10</b>	<b>(94,903)</b>	<b>(94,893)</b>

"NORAVANK SPORTS CLUB" LLC

Director:

Authorized representative of "iFinance" LLC

15 April, 2022



A. Lisikyan

S. Khachatryan

**"NORAYANK SPORTS CLUB" LLC**

*Financial statements for the years ended 31 December 2020 and 31 December 2021*

**STATEMENT OF CASH FLOWS**

<b>(Presented in thousands of AMD)</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Cash from operating activities</b>			
Cash from ticket sales			
Cash from sponsorship and advertising			
Cash from broadcasting rights			
Cash from commercial activities			
Funds received from UEFA		-	5,758
Funds received from the FFA		1,250	-
Cash received as grant, other		121,502	-
Cash from other operating activities		29,437	207
Payments to suppliers for goods and services		127,908	117,961
Payments to and on behalf of employees		(62,294)	(21,966)
Payments of taxes and other duties		(25,211)	(10,095)
Payments to agents/brokers			
Payments against other operating expenses		(5,410)	(157)
<b>Net cash flows from operating activities</b>		<b>(68,634)</b>	<b>(144,214)</b>
<b>Cash flows from investing activities</b>			
Cash from disposal of player registrations			
Payments for acquisition of player registrations			
Cash flows from disposal of property, plant and equipment			
Payments made on acquisition of property, plant and equipment		(20,698)	(63,000)
Cash from the disposal of other non-current assets			
Payments for other non-current assets			
Cash from the disposal of financial investments			
Payments for acquisition of new financial investments			
Cash inflows / (outflows) from other investing activities			
<b>Net cash flow from investing activities</b>		<b>(20,698)</b>	<b>(63,000)</b>
<b>Cash flows from financing activities</b>			
Cash from borrowings with shareholders and related parties		90,614	222,219
Repayment of loans - shareholders and related parties			
Cash from borrowings with financial institutions			

**"NORAVANK SPORTS CLUB" LLC**

**Financial statements for the years ended 31 December 2020 and 31 December 2021**


Repayment of loans to financial institutions			
Cash from investments in equity/charter capital		-	10
Dividends paid			
Cash from issuance of bonds			
Repayment of bonds			
Payments on repurchased capital			
Cash inflow/(outflow) from other financing activities		(1,617)	(1,014)
<b>Net cash flows from financing activities</b>		<b>88,997</b>	<b>221,215</b>
<b>Net increase / decrease in cash</b>		<b>(335)</b>	<b>14,001</b>
Adjustments			
<b>Cash balance at the beginning of the reporting period</b>		<b>15,757</b>	<b>-</b>
Net result of exchange rate differences		(674)	1,756
<b>Cash balance at the end of the reporting period</b>		<b>14,748</b>	<b>15,757</b>

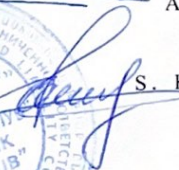
"NORAVANK SPORTS CLUB" LLC


Director:

Authorized representative of "iFinance" LLC

15 April, 2022

  
A. Lisikyan

  
S. Khachatryan



**"NORAVANK SPORTS CLUB" LLC**

*Financial statements for the years ended 31 December 2020 and 31 December 2021*

**NOTES TO THE FINANCIAL STATEMENTS**

**General information**

"NORAVANK SPORTS CLUB" Limited Liability Company is a legal entity operating as a commercial organization established for the purpose of pursuing profit, the charter capital of which is divided into shares in the amount defined by its charter.

The company was registered by the Agency for Registration of the State Register of Legal Entities of the Ministry of Justice of the Republic of Armenia on 22 January, 2020. Registration number - 286.110.1111286, TIN- 02820903.

**The main types of the company's activities:**

The subject of the company's operation is to derive profit through business activities.

**The management bodies of the company are as follows:**

General Meeting of the Company participants, and the director as the executive body of the Company.

The participants of the company are:

Participants	The amount of the share in AMD	Share size%
Garo Edward Balyan	3000	30
Simon Yeznig Balyan	7000	70

The director of the company is Armen Sergey Lisikyan.

The legal address of the company is c. Yerevam, Mashtots Avenue, 18 building. Apt. 8.

**Compliance with IFRSs**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

**Functional and presentation currency**

The currency of the Republic of Armenia is the AMD, which is the functional presentation currency of the Company. Financial information is shown in thousands of drams, without a decimal point after the comma.

**Note 1 . Summary of significant accounting policies**

**1.1. Basis of measurement**

The financial statements have been prepared on a historical cost basis. The historical cost is usually based on the fair value of the consideration paid to acquire the asset.

**1.2. Preparation of financial statements**

The financial statements include:

**"NORAVANK SPORTS CLUB" LLC**

**Financial statements for the years ended 31 December 2020 and 31 December 2021**

(a) a statement of financial position at the end of the period. Current and non-current assets and liabilities are presented in a separate classification.

(b) a single statement of profit or loss and other comprehensive income for the period. The Company entity presents a breakdown (analysis) of costs recognized in profit or loss using functional classification.

(c) statement of changes in equity for the period;

(d) statement of cash flows for the period. Information on cash flows from operating activities is presented using the direct method. Interest paid is classified as financing interest, interest received and dividends as cash flows from investing activities. Taxes paid are classified as cash flows from operating activities.

(e) notes, which constitute summary of significant accounting policies and other explanatory information; The financial statements disclose the comparative information of all the amounts presented in the current period financial statements for the previous period (previous year). When a Company changes the presentation or classification of items in its financial statements, it also reclassifies comparative amounts unless the reclassification is impracticable.

**1.3. Property, plant and equipment**

Each item of a property, plant and equipment (separable unit) the cost of which is material in the total cost of the property, or has a significantly different pattern of consumption of economic benefits, or has a significantly different useful life, is recorded as a separate unit. The cost of the company's property, plant and equipment unit is allocated to its major components. After separating the principal components of the property, plant and equipment, the remaining part of the property, plant and equipment is recognized as the principal component of the property, plant and equipment (residual principal component of the property, plant and equipment). Costs incurred for major inspections for faults as well as the cost (value) of regular large-scale overhaul of the fixed asset unit (cost). are recognized to the carrying amount of the item of property, plant and equipment. The principal components of the property, plant and equipment, are accounted for separately within the of the property, plant and equipment unit.

**Measurement at the time of recognition**

The item of property, plant and equipment that may be recognized as an asset should be measured at its historical cost, which is the equivalent of the immediate payment price at the date of recognition.

**Measurement after recognition**

After recognition as an asset, the item of property, plant and equipment is carried at cost (historical cost) less cost accumulated depreciation and impairment losses.

**Depreciation**

The linear depreciation method is applied to all classes of property, plant and equipment. The following factors are taken into account when determining the useful life of property, plant and equipment.

a) expected use of the asset by the Company;

b) expected physical wear and tear;

c) technical obsolescence;

d) legal or other restrictions on the use of the property, plant and equipment. The Fund applies the following useful lives to groups of assets comprising property, plant and equipment:

**"NORAVANK SPORTS CLUB" LLC**

**Financial statements for the years ended 31 December 2020 and 31 December 2021**

Class name:	Useful life:
Transportation	8 years
Machinery and equipment	5 years
Industrial property and instruments	8 years
Computers and equipment	1 year
Other property, plant and equipment	8 years

Useful service of property, plant and equipment up to 50 thousand AMD is set for up to 1 year.

Depreciation of an asset begins when it is available for use, that is, when it is in the location and condition required for the intended use by the management. Depreciation of an asset ceases at the earliest of the date on which the asset is classified as held for sale under IFRS 5 (or included in the disposal group classified for sale) and the date when the asset is derecognized. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Derecognition

The carrying amount of an item of property, plant and equipment should be derecognized when:

- a) it is disposed, or
- (b) no future economic benefits are expected from its use or disposal.

For the purpose of determining the tax base for calculating the profit tax, the Company deducts from the gross income the depreciation and amortization costs for property plant and equipment or intangible assets owned by it or leased under the terms of financial lease.

Furthermore, the amount of depreciation charge for each item of property, plant and equipment and intangible assets is calculated for the tax year as the relative value of the given item of property, plant and equipment and intangible assets and depreciation rates defined by Article 121, clauses 3-5 of the RA Tax Code for certain groups of property, plant and equipment and intangible assets.

For the years 2020 and 2021 The Company has applied the minimum depreciation periods established by Article 121, Clause 3 of the RA Tax Code for certain groups of property, plant and equipment.

The result of writing off or disposal a non-current asset is recognized in profit or loss in the Statement of financial position.

#### **1. 4. Non-current intangible assets - players**

Other typical costs of acquiring transfer and player registration are capitalized as non-current intangible assets. These expenses are fully amortized in equal annual shares in accordance with the relevant contractual periods for the players. Expenses related to players transferred from the youth teams of the given club are not subject to capitalization.

If the term of the contract is revised, the amortized amount, as well as the new costs incurred in connection with the extension of the contract, are amortized under the new contract.

Any transfer payment the fulfilment of which is conditioned by one or more future contingent event is capitalized when the occurrence of such event becomes likely.

**"NORAYANK SPORTS CLUB" LLC**

**Financial statements for the years ended 31 December 2020 and 31 December 2021**

Player registrations are written off as a result of impairment when their carrying amount exceeds the recoverable amount of the sale or use.

**1.5. Inventories**

**Initial measurement**

Upon initial recognition, inventories are measured at historical cost (cost). The cost of inventories includes the cost of purchasing, all the costs of processing and the cost associated with bringing the inventories to the current location and condition. Inventory acquisition costs include purchase price, import duties, taxes (excluding those refundable to the Company by tax authorities), as well as transportation, loading and unloading, and other costs directly related to the acquisition of goods, materials, and services. Discounts, price reductions, and other similar adjustments are excluded when determining acquisition costs. Inventory processing costs include costs directly related to processing, such as direct labor costs. It also includes fixed, variable production overhead costs that are regularly incurred on the finished product during the manufacturing (processing) of the materials. Other costs are included in the cost of inventories only to the extent that they are incurred to bring the inventories to the current location and proper condition. Examples of expenditures that are not included in the cost of inventories and are recognized as expenses at the time of incurring them, include:

- a) excessive costs related to the higher than normal expenditures on materials, labor, other production costs;
- (b) maintenance costs, unless they are necessary in the production process before proceeding to the next phase of production;
- (c) administrative overhead costs not related to bringing the inventories to the present location or to the required condition;
- d) sales costs. When inventories are acquired with a deferred term of maturity, the difference between the purchase price and the amount paid under normal terms of payment is recognized as an interest expense over the entire period of financing. Approaches to capitalization of borrowing costs in the cost of inventories are presented in the relevant section.

**Cost calculation formulas**

The unit cost of mutually non-convertible inventories, as well as the unit of goods or services designed and produced for specific projects, is calculated by determining the cost of a particular product. The cost of mutually convertible inventories is determined by the FIFO (First Input to First Output) value. Further measurement Inventories are measured at the lower of its cost and net realizable value. The cost of inventories is reduced to net realizable value by type, at the reporting date. Any amount of reduction in the cost of inventories to net realizable value, and all inventory losses are recognized as an expense in the period in which the cost was reduced or the loss incurred. Non-liquid inventories are written off at their carrying amount. Inventories that are not sold or used within 12 months of being recorded in the balance sheet are unrealizable and are unlikely to be used for any other reason due to their obsolescence, deterioration or other reasons.

**1.6. Financial assets**

**Initial recognition of financial assets**

Financial assets at fair value through profit or loss are initially recognized at fair value. All other financial assets are initially recorded at fair value, taking into account transaction costs. At initial recognition, the best indication of fair value is the transaction price. At initial recognition, a gain or loss is recognized only when there is a difference between fair value and transaction price, which can be identified by means of other observable market transactions with identical instrument or by applying valuation technique with only observable market data used as inputs.



**"NORAVANK SPORTS CLUB" LLC**

**Financial statements for the years ended 31 December 2020 and 31 December 2021**

**Classification and subsequent measurement of financial assets.**

Measurement categories

The Company classifies financial assets using the following measurement categories:

- measured at fair value through profit or loss
- measured at fair value through other comprehensive income and measured at amortized cost.

**1. 7. Trade receivables**

Receivables are measured at cost (the amount stated in the original invoice), except when the effect of the discount is significant. In this case, the receivables are measured at a discounted value. Borrowings provided At the time of initial recognition, the net result (loss) from the discounted or a low-interest term borrowing (measured at fair value) is recognized:

- in equity, if the financial asset is in relation to the participants and the entities controlled by the latter; and
- in profit or loss if the financial asset is in relation to other parties. Cash and cash equivalents Cash represents cash on hand and demand deposits. Cash equivalents are held to meet short-term monetary obligations and not for investment or other purposes. In order for investments to qualify as cash equivalents, they must be freely convertible in exchange of amounts known in advance, and the risk of changes in their value must be negligible. Therefore, investments are usually classified as cash equivalents only if they have a short term of maturity, such as three months or less from the date of acquisition. Bank overdrafts, which are subject to repayment on demand, form an integral part of the Company's cash management and as such are reflected in cash and cash equivalents in the Statement of cash flows, and in liabilities in the Statement of Financial position.

**1.8. Financial liabilities**

**Recognition**

The Company recognizes a financial liability when it becomes a party to the contractual instrument.

**Derecognition**

The Company derecognizes a financial liability (or part of a financial liability) when it is settled, that is, when the obligation specified in the contract is performed or canceled or expires. The difference between the carrying amount of a derecognized financial liability and the amount of compensation paid or payable is recognized in profit or loss. Exchanges of debt instruments under significantly different terms between an existing borrower and a lender are recognized as a repayment of the original financial liability and the recognition of a new financial liability. Similarly, a significant change in the terms of an existing financial liability or part of it (whether or not attributable to the borrower's financial difficulties) is accounted for as the repayment of the original financial liability and as a recognition of the new financial liability.

**Financial liability measurement groups**

Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and lending commitments. Trade payables at the time of initial recognition, payables are measured at cost (the amount indicated in the primary invoice), except when the effect of the discount is significant. In this case, the payables are measured at a discounted value.

**"NORAYANK SPORTS CLUB" LLC**

**Financial statements for the years ended 31 December 2020 and 31 December 2021**

**Loans and borrowings received**

Loans and borrowings are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial liability. Subsequent to initial measurement loans and borrowings received are measured at amortized cost using the effective interest method.

**1.9. Short-term employee benefits**

When an employee has provided a service to the Company during the reporting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid for that service: (a) as a liability after deducting the amounts already paid. If the amount already paid exceeds the undiscounted amount of the benefit, the Company recognizes the difference as an asset to the extent that the advance payment would result in, for example, a reduction in future payments or to cash recovery; b) as an expense, with the exception of instances when it is allowed or required by the IFRSs to include the amount of compensation in the value of another asset (for example, in the case of inventories, property, plant and equipment). The Company recognizes the expected costs of employee benefits for compensated absences:

(a) in case of cumulative compensated absences (for example, annual leave), when employees provide a service that increases their rights to future compensated absences;

(b) in the case of non-cumulative compensated absences (for example, temporary incapacity for work), when the absence occurs. The Company measures the expected cost of accumulated compensated absences as an additional amount that the Company expects to pay as a result of the unused rights accumulated at the end of the reporting period. Moreover, those calculations also include the part of compulsory social insurance payments.

**1.10. Operating lease**

Assets leased (received) under operating lease are recognized in the lessor's balance sheet. Lease payments on operating leases are recognized as income or expense (expense) on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished.

**1.11. Revenue**

**Measurement**

Revenue is the gross inflow of economic benefits arising from the day-to-day operations of the entity, excluding transfer fees and related taxes on the sale of player registration. Revenue is measured at the fair value of the consideration received or receivable; represents the amount payable for the sale of an asset or the provision of a service in the course of a normal transaction, excluding discounts, or related taxes.

**Ticket sales / game day revenue**

Game day revenue is recognized during the reporting year proceeds from each game day are recognized only when the game match has already taken place. Game day revenue received as an advance payment up to the end of the reporting year but relating to the following season (for example, seasonal ticket sales) should be treated as deferred income (revenue) and recognized along with the occurrence of the game matches.

**"NORAVANK SPORTS CLUB" LLC**

*Financial statements for the years ended 31 December 2020 and 31 December 2021*

**Sponsorship and advertising**

Sponsorships and advertisements include the general sponsor of the club, other sponsors, the perimeter and demonstrated advertising at the stadium, as well as any other type of sponsorship and advertising activities.

**Broadcasting rights**

Revenue from broadcasting rights is the proceeds from home contracts with the media. Distribution fees based on TV market representation, as well as participation fees, are recognized in parallel with game matches. Prize amounts from the club's game achievements is recognized when it becomes fairly certain that these amounts will be received.

**Trade revenue**

Trade revenue comprises retail sales, food and beverage sales, facilitation of conferences (non-gaming days), lotteries, and other not classified trade revenue.

**UEFA Solidarity and prize amounts**

UEFA prize money is the consideration received for participation in UEFA club tournaments. Distribution fees based on TV market representation, as well as participation fees, are recognized in parallel with game matches. Prize amounts from the club's game achievements is recognized when it becomes fairly certain that these amounts will be received. UEFA Solidarity Payments must be recognized when the amount received becomes certain.

**Other income**

Other income includes donations, grants, and any other type of out-of-ordinary operating income, as well as other income not classified in the previous five groups.

Revenue is recognized at the transaction price. The transaction price is the amount of compensation that the Company expects to receive in exchange for transferring control over the goods or services committed to the customer, except for amounts collected on behalf of third parties. Proceeds from the sale of goods are recognized when all of the following conditions are met:

- The company transfers to the buyer a significant part of the risks and rewards related to the ownership of the goods.
- The company maintains neither a continuous management stake, which usually derives from ownership, nor an effective control over the goods sold.
- the amount of income can be reliably measured.
- it is probable that future economic benefits associated with the transaction will flow to the Company;
- The costs incurred or to be incurred in connection with the transaction can be measured reliably.

Usually the transfer of property risks and rewards associated with the ownership to the buyer occurs simultaneously with the transfer of ownership or possession right. When goods are sold, their carrying amount should be recognized as an expense in the period in which the related revenue is recognized.

**Provision of services**

When the proceeds from a transaction for service provision can be measured reliably, the revenue from the transaction is recognized based on the degree of completion of the transaction at the end of the reporting period. The outcome of the transaction can be assessed reliably if all of the following conditions are met:

- the amount of income can be reliably measured.
- it is probable that future economic benefits associated with the transaction will flow to the Company;

**"NORAVANK SPORTS CLUB" LLC**

**Financial statements for the years ended 31 December 2020 and 31 December 2021**

- It is possible to reliably measure the degree of completion of the transaction at the end of the reporting period.
- It is possible to reliably measure the transaction costs and the costs required to complete the transaction.

The degree of completion of the transaction is determined by one of the following methods (the Company uses the method by which it is possible to more reliably measure the services provided):

- assessment of the work performed.
- ratio of the volume of services provided as of the given date to the total volume of services to be provided, or:
- The ratio of the expenses incurred as of the given date to the estimated total expenses of the transaction. When the outcome of a service transaction cannot be estimated reliably, revenue is recognized only at the amount of the recognized costs that will be reimbursed.

**Donations**

Donations are recognized as income at a time when their receipt is certain.

**Interest**

Interest is recognized when:

- it is probable that future economic benefits associated with the transaction will flow to the Company;
- the amount of income can be reliably measured. Interest is recognized using the effective interest method.

**1.12. Grants**

**Recognition**

Grants are recognized when there is reasonable assurance that:

- The company will meet the conditions inherent to such grants; and
- grants are likely to be received.

**Presentation**

Grants are presented in the statement of financial position as deferred income.

**Recognition**

Grants are recognized in profit or loss on a systematic basis over the periods when the Company recognizes as an expense the corresponding costs which will be settled using the grant amounts. A grant that becomes receivable in return for expenses or losses already incurred or intended to provide the Company with immediate financial assistance without further related costs is recognized in profit or loss in the reporting period in which it becomes receivable.

**Recovery**

The grant that becomes reversible is accounted for as a change in the accounting estimate. The repayment of the grant is primarily made at the expense of the deferred credit balance on the given grant. To the extent that the repayment exceeds

**"NORAYANK SPORTS CLUB" LLC**

**Financial statements for the years ended 31 December 2020 and 31 December 2021**

such deferred credit balance, or when the deferred credit balance does not exist, the repayment is recognized immediately in profit or loss.

**1.13. Effects of exchange rate fluctuations**

**Functional currency**

When determining the functional currency, the Company takes into account the following factors:

a) Currency

- which mainly affects the selling prices of goods and services (often the currency in which the sales prices of its goods and services are set and settlements are made); and
- The national currency the competitive features and regulations primarily determine the selling prices of its goods and services.

b) a currency that primarily affects the labor, material and other costs required to supply goods or services (this is often the currency in which such costs are incurred and made). The functional currency of the company is AMD.

**Initial recognition**

Foreign currency transactions are initially accounted for in the functional currency at the time of recognition, using the spot exchange rate to the amount in foreign currency at the date of the functional currency's foreign exchange transaction date. The average exchange rate of the currencies traded in the foreign exchange market is taken as the spot exchange rate.

Presentation of information as of the end of the following reporting periods at the end of each reporting period:

a) monetary items denominated in foreign currency are recalculated using the closing rate;

(b) non-monetary items denominated in foreign currency at fair value are retranslated (presented) at the exchange rate effective at the date of the transaction;

(c) at fair value using the exchange rate at the date of determining the fair value.

**Recognition of exchange rate differences**

Pursuant to Article 108, Clause 7 of the Tax Code of the Republic of Armenia, for the purpose of determining the profit tax base, the Company does not include in the income the positive difference resulting from the revaluation of assets, including foreign currency, assets denominated in foreign currency, assets denominated in bank gold and other precious metals.

Pursuant to Article 112, Clause 7 of the Tax Code of the Republic of Armenia, for the purpose of determining the profit tax base, the Company does not include in the expenses the negative difference resulting from the revaluation of assets, including foreign currency, assets denominated in foreign currency, assets denominated in bank gold and other precious metals.

**"NORAVANK SPORTS CLUB" LLC**

**Financial statements for the years ended 31 December 2020 and 31 December 2021**

**1.14. Profit tax**

**Current tax**

Tax liabilities (assets) of the current and previous periods are measured at the amount that is expected to be paid to the budget (to be recovered from the budget) using the tax rates (and tax regulations) which were in effect at the end of the reporting period.

The Company presents the items of profit or loss or other comprehensive income, and equity, net of the applicable taxes. Offset The Company offsets current tax assets and current tax liabilities only if:

- a) it has a legally established right to offset the recognized amounts;
- b) it intends to either settle (repay the asset or liability) on a net basis, or sell the asset and repay the liability at the same time.

**1.15. Errors**

The Company corrects for material errors of past period errors retrospectively (except when it is impracticable to determine the effects of an error on a particular period or its cumulative effects) in the first set of financial statements approved for publication following the detection of the errors:

- by performing recalculation of the comparative amounts presented for the past period (s) in which the error occurred, or
- if the error occurred prior to the earliest period presented, the opening balance of assets, liabilities and equity is recalculated for the earliest period presented.

**1.16. Changes in accounting estimates**

The effect of a change in an accounting estimate, other than that stated below, is recognized prospectively, in profit or loss.

- (a) in the period of modification, if the modification affects only that period; or
- b) in the period of modification, and in subsequent periods, if the change affects both. To the extent that a change in accounting estimates results in a changes in assets or liabilities or is related to any item of equity, it is recognized by adjusting the carrying amount of the relevant asset, liability or equity during the period of the change. In cases where it is difficult to distinguish between change in accounting policy from a change in accounting estimates, the change is treated as a change in accounting estimates with the appropriate disclosure.

**1.17. Changes in accounting policy**

The Company amends its accounting policy only if such amendment:

- (a) is required by any IFRS, or
- b) results in the presentation of a more reliable and relevant information about the effect of operations, transactions and other events on Company's financial position, financial results and cash flows in the financial statements. If the Company applies the new accounting policy retrospectively, the new accounting policy applies to the comparative information of

**"NORAVANK SPORTS CLUB" LLC**

*Financial statements for the years ended 31 December 2020 and 31 December 2021*

prior periods, as further back as the policy can be applied retrospectively. Retrospective application to the prior periods is not feasible unless it is possible to determine its cumulative effect on the opening and closing balances in the statement of financial position for the given period. The adjustment total amount relating to periods prior to the periods presented in the financial statements is attributed to the opening balance of each component of equity presented at the earliest period. Adjustments are usually attributed to retained earnings. However, the adjustment may be attributable to another component of equity (for example, to meet the requirements of another IFRS). When it is impracticable for the Company to apply the new accounting policy retrospectively due to its inability to determine the cumulative effect of the new policy on all prior periods, the Company applies the new policy prospectively, from the earliest possible period. In that case, the Company does not take into account the portion of accumulated adjustment of assets, liabilities and equity, accruing up to that date. A change in the accounting policy is permitted even if it is not possible to apply that policy prospectively for any prior period.

**1.18. Events after the reporting period**

The Company adjusts the amounts recognized in its financial statements to reflect adjustments which have occurred after the reporting period. The Fund does not adjust the amounts recognized in its financial statements to reflect non-adjusting events occurred after the reporting period.

**Note 2 Revenue**

<b>(Presented in thousands of AMD)</b>	<b>2021</b>	<b>2020</b>
Assistance from UEFA	-	5,758
Subsidies, donations and other contributions from the FFA	2,346	-
Support/donations from related parties	121,502	-
Other	48	85
<b>Total other operating income</b>	<b>123,896</b>	<b>5,843</b>

**Note 3 Employee remuneration costs**

<b>(Presented in thousands of AMD)</b>	<b>2021</b>	<b>2020</b>
<b>Players</b>		
Salary	27,892	7,791
Tax/social contributions	10,042	2,797
<b>Total</b>	<b>37,934</b>	<b>10,588</b>
<b>Other employees</b>		
Salary	40,066	13,625
Tax/social contributions	15,090	4,670
<b>Total</b>	<b>55,156</b>	<b>18,295</b>

"NORAYANK SPORTS CLUB" LLC

Financial statements for the years ended 31 December 2020 and 31 December 2021

Note 4 Other operating expenses

(Presented in thousands of AMD)	2021	2020
Expenses for organizing training camps and games	24,219	7,984
Expenditures on sportswear and sports accessories	21,121	409
Payments to the FFA	2,265	-
Medical expenses	3,278	-
Rent of stadiums	10,670	3,970
Property, plant and equipment maintenance and repair costs	835	42
Non-football related transaction costs	2,375	1,028
Office and utility expenses	6,672	2,735
Banking and consulting expenses	9,101	3,563
<b>Total other operating expenses</b>	<b>80,536</b>	<b>19,731</b>

Note 5 Gain (loss) from exchange rate difference

(Presented in thousands of AMD)	2021	2020
Income from exchange rate differences	27,310	2,467
Expenses from exchange rate differences	(2,492)	(16,393)
<b>Foreign exchange gain (loss), net</b>	<b>24,818</b>	<b>(13,926)</b>

Note 6 Other non-operating expenses

(Presented in thousands of AMD)	2021	2020
Currency conversion costs	1,617	1,014
<b>Total other non-operating expenses</b>	<b>1,617</b>	<b>1,014</b>

Note 7 Other receivables

(Presented in thousands of AMD)	2021	2020
Expenses of the future periods to FFA for the tournament participation	2,235	-
Receivables on salaries	485	26
<b>Total other receivables</b>	<b>2,720</b>	<b>26</b>



"NORAYANK SPORTS CLUB" LLC

Financial statements for the years ended 31 December 2020 and 31 December 2021

Note 8 Non-current tangible assets - Property, plant and equipment

(Presented in thousands of AMD)	Land and buildings	Machinery and equipment	Industrial property and instruments	Other	Total
<b>Historical cost or revalued amount</b>					
As of 1 January, 2020	-	-	-	-	-
Addition	92,480	-	-	-	92,480
Disposal	-	-	-	-	-
Revaluation increase	-	-	-	-	-
<b>December 31, 2020</b>	<b>92,480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92,480</b>
Addition	74,468	1,600	13,035	9,869	98,972
Disposal	-	-	-	-	-
Revaluation increase	-	-	-	-	-
<b>December 31, 2021</b>	<b>166,948</b>	<b>1,600</b>	<b>13,035</b>	<b>9,869</b>	<b>191,452</b>
<b>Accumulated depreciation and impairment</b>					
As of 1 January, 2020	-	-	-	-	-
Depreciation of property, plant and equipment	1,573	-	-	-	1,573
Accumulated depreciation of disposed property, plant and equipment	-	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-	-
<b>December 31, 2020</b>	<b>1,573</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,573</b>
Depreciation of property, plant and equipment	6,633	130	604	944	8,311
Accumulated depreciation of disposed property, plant and equipment	-	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-	-
<b>December 31, 2021</b>	<b>8,206</b>	<b>130</b>	<b>604</b>	<b>944</b>	<b>9,884</b>
<b>Carrying amount</b>					
As of 1 January, 2020	-	-	-	-	-
<b>December 31, 2020</b>	<b>90,907</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,907</b>
<b>December 31, 2021</b>	<b>158,742</b>	<b>1,470</b>	<b>12,431</b>	<b>8,925</b>	<b>181,568</b>

"NORAYANK SPORTS CLUB" LLC

Financial statements for the years ended 31 December 2020 and 31 December 2021

Note 9 Non-current intangible assets

(Presented in thousands of AMD)	Player registrations	Other	Total
<b>Historical cost or revalued amount</b>			
At 1 January, 2020	-	-	-
Addition	-	-	-
Disposal	-	-	-
Revaluation increase	-	-	-
<b>At 31 December,2020</b>	-	-	-
Addition	-	-	-
Disposal	-	-	-
Revaluation increase	-	-	-
<b>At 31 December,2021</b>	-	-	-
<b>Accumulated amortization and impairment</b>			
At 1 January, 2020	-	-	-
Depreciation of non-current intangible assets	-	-	-
Amortization of disposed of non-current intangible assets	-	-	-
Impairment of non-current intangible assets	-	-	-
<b>At 31 December,2020</b>	-	-	-
Depreciation of non-current intangible assets	-	-	-
Amortization of disposed of non-current intangible assets	-	-	-
Impairment of non-current intangible assets	-	-	-
<b>At 31 December,2021</b>	-	-	-
<b>Carrying amount</b>			
At 1 January, 2020	-	-	-
At 31 December,2020	-	-	-
At 31 December,2021	-	-	-

**"NORAVANK SPORTS CLUB" LLC**

**Financial statements for the years ended 31 December 2020 and 31 December 2021**

**Note 10 Loans and borrowings repayment schedule**

(Presented in thousands of AMD)	2021	2020
<b>Borrowing maturity terms</b>		
Demand	-	-
Up to 12 months	6,278	-
Within the 2nd year	-	-
from the 3rd to 5th year (inclusively)	302,968	238,301
Over five years	-	-
<b>Total</b>	<b>309,246</b>	<b>238,301</b>

**Note 11 Other disclosures as required by UEFA**

These disclosures are additionally presented in accordance with the requirements of the Europa League.

- As of March 31, 2022, the Company had no overdue liabilities on the transfers which are related to the year 2021.
- As of March 31, 2022, the Company had no overdue liabilities to employees on unpaid salaries or other compensation which are related to the year 2021.
- As of 31 March, 2022, has overdue debts on taxes and other mandatory payments calculated from the salary, for the reporting period ending 31 December 2021, which resulted from the submission of adjusted tax reports.
- As of March 31, 2022, the Company has no overdue liabilities related to 2021 towards other football clubs.

**Note 12 Financial Instruments and Risk Management**

When using financial instruments, the Company is exposed to the following risks:

- Credit risk
- Liquidity risk
- Market risk

This note provides information on each of the Company's exposure to each of the above risks, as well as the Company's risk assessment and management objectives, policies and processes. These financial statements provide value disclosures regarding the above risks. Management is responsible for developing and overseeing the Company's risk management system. Management regularly reports to the Board of Trustees on its activities. The objective of the Company's risk management policy is to identify and analyze the risks to which the Company is exposed, to establish appropriate risk limits; and control mechanisms; as well as oversee the risk levels and their compliance with the established risk exposure limits. Risk management policy and systems are regularly reviewed to reflect changes in market conditions and the Company's operations.

**Credit risk**

Credit risk is the risk that the Company will incur financial losses due to the inability of the counterparty to a financial instrument to fulfil perform its contractual obligations to the Company. The Company applies case-by-case approach to each counterparty. Credit risk arises mainly in relation to receivables from partners and borrowings extended to related parties.

**"NORAVANK SPORTS CLUB" LLC**

**Financial statements for the years ended 31 December 2020 and 31 December 2021**

**Transactions with related parties**

According to IAS 24, Related party disclosures, parties are generally considered to be related if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. For the purposes of these financial statements, related parties include members of the Company's management and persons affiliated with them as well as other persons and organizations that are affiliated with or are under common control by them.

The related parties of the company are:

1. Company participants

Participants	The amount of the share in AMD	Share size%
Garo Edward Balyan	3000	30
Simon Yeznig Balyan	7000	70

2. The director of the company is Armen Sergey Lisikyan.
3. John O . Owenjyan Foundation Incorporation is a non-profit organization, the Chairman of the Board of Directors of which is the Company's participant Simon Yeznig Balyan.

In 2020, the Company received a USD 456,000 loan from participant Simon Yeznig Balyan for a period of 5 years.

During 2020, the Company carried out cash transactions with the Director in the amount of 191. 1 thousand AMD.

During 2020, transactions with the Company's management personnel amounted to 386. 1 thousand AMD /salary paid/.

In 2021, the Company received a USD 175,000 borrowing from the Company participant Simon Yeznig Balyan for a period of 5 years.

In 2021, the Company received a borrowing from Director Armen Sergey Lisikyan in the amount of 6,278. 5 thousand AMD for a period of 6 months.

During 2021, the Company carried out cash transactions with the Director in the amount of 113. 4 thousand AMD.

In 2021 The Company received from John O Owenjian Foundation Incorporation non-profit organization grants in the total amount of 121,502. 5 thousand AMD.

During 2021, transactions with the Company's management personnel amounted to 410.6 thousand AMD /salary paid/.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities, the repayment of which requires the availability of cash or another financial asset. The Company's approach to liquidity risk management is to ensure sufficient liquidity to meet its obligations in the event of unforeseen liquidity requirements, without incurring unacceptable losses or risks for the Company's reputation. The Company provides a sufficient amount of cash on hand to cover foreseen operating expenses, including servicing of financial liabilities. In this case, the possible impact of specific circumstances that cannot be reasonably foreseen, such as natural disasters, is not taken into account.

**"NORAVANK SPORTS CLUB" LLC**

**Financial statements for the years ended 31 December 2020 and 31 December 2021**

**Market risk**

Market risk is the risk that the Company's income or the value of its financial instruments will change as a result of changes in market prices, including exchange rates, interest rates, and stock prices. The primary objectives of the market risk management is exercise adequate governance and control of the risk to ensure that exposure to risks stays within these limits, at the same time ensuring optimal rate of return against the risk.

**Contingent liabilities**

The Company has not entered into any contractual arrangements that envisage any payments which are contingent on occurrence of any future event.

**Events after the reporting period**

The Company has not entered into any contractual arrangements that envisage any payments which are contingent on occurrence of any future event(s).

**Environment Protection**

The company meets the requirements of the Government of the Republic of Armenia related to the environment, has no outstanding environmental obligations.

**Oversight**

The company is fully controlled by the Board of Participants.

**Tax liabilities in Armenia**

Armenia's tax legislation is relatively new, and is characterized by frequent amendments in laws, official rulings and resolutions, which are often ambiguous, contradictory, and may result in various interpretations by tax authorities. Taxes are subject to scrutiny by various inspection authorities which are authorized to impose fines or penalties. In case of violation of tax legislation, fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the inspection year.

These facts may pose a significant tax risk in Armenia compared to other jurisdictions. Management considers that it has properly assessed tax liabilities and made all payments due to authorities in terms of tax liabilities. However, the relevant authorities may have other interpretations, and the effects on the company may be significant, should the competent authorities succeed in effecting their interpretations.

"NORAVANK SPORTS CLUB" LLC

Director:

Authorized representative of "iFinance" LLC

15 April, 2022



A . Lisikyan

S . Khachatryan