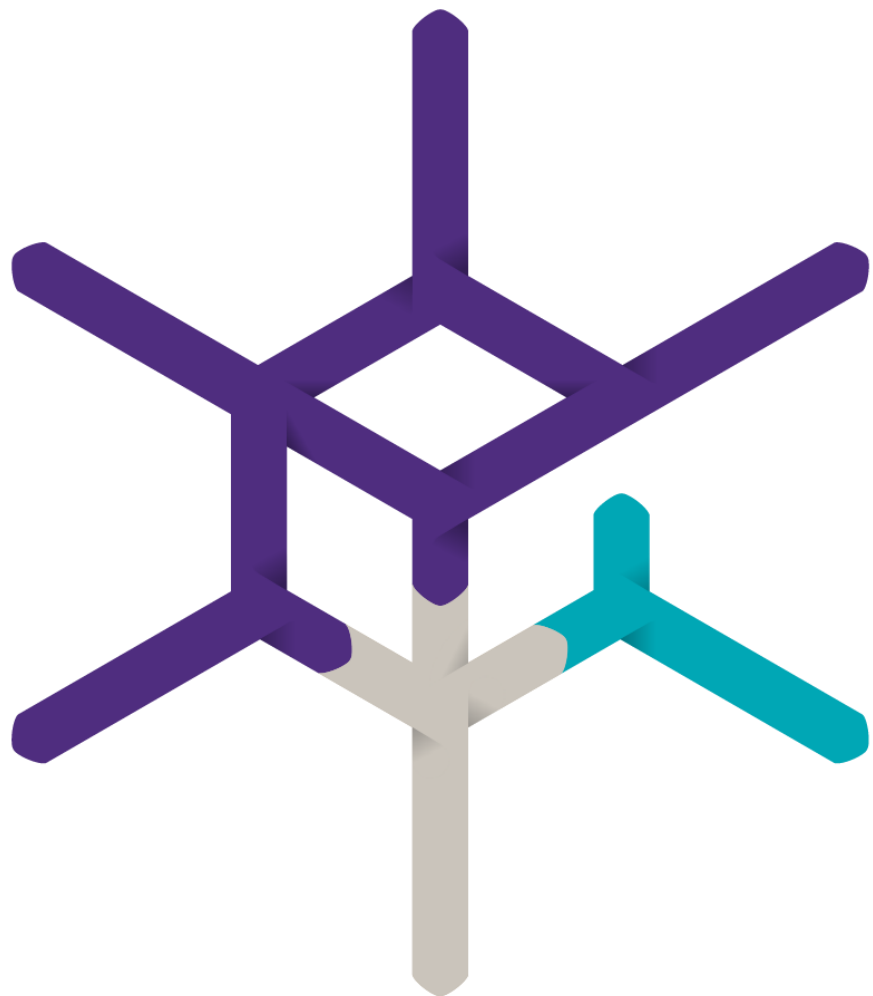


Consolidated Financial Statements and Independent Auditor's Report

Armenian Red Cross Society NGO

31 December 2021



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Independent auditor's report

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To the Board of Armenian Red Cross Society NGO

Opinion

We have audited the consolidated financial statements of Armenian Red Cross Society NGO (the “Parent”) and its subsidiaries (together the “Group”), which comprise the consolidated statement of financial position as of 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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.

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

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

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control 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 Group'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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Armen Hovhannisyanyan
Chief Executive Officer

Emil Vassilyan, FCCA
Engagement Partner

23 June 2022

Consolidated statement of financial position

In thousand drams	Note	As of 31 December 2021	As of 31 December 2020
<i>Assets</i>			
<i>Non-current assets</i>			
Property and equipment	4	1,149,711	755,333
Intangible assets		30,855	20,793
Deferred income tax assets		764	764
		<u>1,181,330</u>	<u>776,890</u>
<i>Current assets</i>			
Inventories	5	432,423	656,475
Trade and other receivables	6	30,362	30,164
Borrowings provided		800	-
Term deposits		200,000	-
Cash and bank balances	7	514,998	774,246
		<u>1,178,583</u>	<u>1,460,885</u>
Total assets		<u>2,359,913</u>	<u>2,237,775</u>
<i>Net assets and liabilities</i>			
<i>Net assets</i>			
Accumulated result		366,769	321,634
		<u>366,769</u>	<u>321,634</u>
Non-controlling interest		159,147	141,013
		<u>525,916</u>	<u>462,647</u>
<i>Non-current liabilities</i>			
Grants related to assets	8	726,332	334,803
		<u>726,332</u>	<u>334,803</u>
<i>Current liabilities</i>			
Grants related to income	9	1,048,900	1,372,177
Trade and other payables	10	53,718	66,415
Current income tax liabilities		5,047	1,733
		<u>1,107,665</u>	<u>1,440,325</u>
Total net assets and liabilities		<u>2,359,913</u>	<u>2,237,775</u>

The consolidated financial statements were approved on 23 June 2022 by:

Anna Yeghiazaryan

Secretary General



Mariam Knyazyan

Chief Accountant

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 23.

Consolidated statement of profit or loss and other comprehensive income

In thousand drams	Note	Year ended 31 December 2021	Year ended 31 December 2020
Contribution income	11	5,658,536	2,877,896
Revenue from medical services		323,726	161,933
Income from other services		37,537	21,963
Other income		337	2,264
Financial aid to beneficiaries		(2,201,053)	(437,867)
Property and inventory distributed to beneficiaries		(1,893,431)	(1,290,549)
Employee benefits		(972,651)	(645,494)
Training expenses		(342,172)	(62,279)
Office and utility expenses		(126,035)	(89,494)
Business trip and representative expenses		(92,344)	(111,173)
Depreciation and maintenance costs		(91,946)	(68,633)
Professional services		(41,137)	(19,081)
Cost of inventory used		(29,824)	(330,869)
Property maintenance costs		(24,274)	(7,837)
Other expenses		(138,279)	(76,216)
Operating profit/(loss)		66,990	(75,436)
Finance income		9,101	3,276
Gain/(loss) from exchange differences		(7,775)	26,376
Profit/(loss) before income tax		68,316	(45,784)
Income tax expense	12	(5,047)	(1,733)
Profit/(loss) for the year		63,269	(47,517)
Total comprehensive income for the year		63,269	(47,517)
Including:			
Controlling interest		45,135	(36,159)
Non-controlling interest		18,134	(11,358)
		63,269	(47,517)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 23.

Consolidated statement of changes in net assets

In thousand drams	Accumulated result	Total controlling interest	Non-controlling interest	Total
as of 1 January 2020	357,793	357,793	152,371	510,164
Loss for the year	(36,159)	(36,159)	(11,358)	(47,517)
Total comprehensive income for the year	(36,159)	(36,159)	(11,358)	(47,517)
as of 31 December 2020	321,634	321,634	141,013	462,647
Profit for the year	45,135	45,135	18,134	63,269
Total comprehensive income for the year	45,135	45,135	18,134	63,269
as of 31 December 2021	366,769	366,769	159,147	525,916

The consolidated statement of changes in net assets is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 23.

Consolidated statement of cash flows

In thousand drams	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities		
Contributions received	5,103,123	3,889,523
Cash received from customers	354,805	179,110
Other cash received	199	704
Cash paid to suppliers	(1,684,094)	(2,177,421)
Cash paid to beneficiaries	(2,226,506)	(470,953)
Cash paid to employees	(1,032,529)	(708,141)
Taxes paid other than income tax	(57,213)	(53,051)
Interest paid	-	(823)
Income tax paid	(1,733)	-
<i>Net cash from operating activities</i>	<u>456,052</u>	<u>658,948</u>
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	(515,882)	(130,879)
Term deposits invested	(200,000)	-
Borrowings provided	(800)	-
Interest income received	9,101	4,099
<i>Net cash used in investing activities</i>	<u>(707,581)</u>	<u>(126,780)</u>
Cash flows from financing activities		
Repayment of loans and borrowings	-	(31,500)
<i>Net cash from financing activities</i>	<u>-</u>	<u>(31,500)</u>
Net increase/(decrease) in cash and bank balances	(251,529)	500,668
Foreign exchange effect on cash	(7,719)	26,304
Cash and bank balances at the beginning of the year	<u>774,246</u>	<u>247,274</u>
Cash and bank balances at the end of the year	<u><u>514,998</u></u>	<u><u>774,246</u></u>

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 23.