



“BDO ARMENIA” CJSC
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019



“BDO ARMENIA” CJSC

**Consolidated Financial Statements
For the year ended 31 December 2019**

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Country of incorporation of Company:	Republic of Armenia
Legal form:	Closed Joint Stock Company
Principal activities:	Principal activities are presented in Note 1
Managing Partner:	Mr. Vahagn Sahakyan

"BDO ARMENIA" CJSC

Consolidated statements of profit or loss and other comprehensive income
For the years ended 31 December 2019

	Notes	2019 AMD'000	2018 AMD'000
Revenue	5	830,318	547,982
Cost of sales		(553,547)	(347,248)
Gross profit		276,771	200,734
Other operating income		1,781	1,498
Administrative expenses	5	(199,130)	(148,344)
Distribution expenses	5	(10,735)	(4,126)
Other expenses	5	(3,580)	(4,414)
Profit from operations		65,107	45,348
Finance income		-	548
Profit before tax		65,107	45,896
Tax expense/(income)		(15,246)	(11,961)
Profit for the year		49,861	33,935
Other comprehensive income		-	-
Total comprehensive income for the year		49,861	33,935


Vahagn Sahakyan
Managing Partner




Hovik Muradyan
Chief Accountant

Validation date` 30.04.2020

“BDO ARMENIA” CJSC

**Consolidated statement of financial position
As at 31 December 2019**

	Notes	31 December 2019 AMD'000	31 December 2018 AMD'000
Assets			
Current Assets			
Trade and other receivables	6	145,597	89,668
Borrowings provided		-	22,212
Inventory		2,912	10,421
Cash and cash equivalents		64,498	42,550
		213,007	164,851
Non-Current Assets			
Property, plant and equipment		20,984	20,229
Deferred tax asset		22,991	8,749
		43,975	28,978
Total Assets		256,982	193,829
Liabilities			
Current Liabilities			
Trade and other payables	7	60,075	49,854
Profit tax payable		4,348	8,074
Provision		109,483	38,685
		173,906	96,613
Total Liabilities		173,906	96,613
Net assets		83,076	97,216
Equity			
Share capital	8	7,000	7,000
Share premium		16,395	13,965
Other reserve		6,050	-
Accumulated reserve		53,631	76,251
		83,076	97,216

“BDO ARMENIA” LLC

**Consolidated statement of cash flows
For the year ended 31 December 2019**

	2019	2018
	AMD'000	AMD'000
Cash flows from operating activities		
Cash received from customers	898,124	597,805
Cash paid to suppliers	(224,886)	(129,596)
Payments to employees and on their behalf	(341,483)	(266,774)
Profit tax paid (payments to budget)	(34,205)	(2,450)
Other taxes and duties paid	(223,842)	(166,999)
Outflows from other operating activities	(649)	(1,453)
Net cash from operating activities	73,059	30,533
Cash flows from investing activities		
Acquisition of subsidiary	-	240
Acquisition of property, plant and equipment	(4,794)	(18,811)
Provision of borrowings	-	(22,211)
Interest received	-	548
Net cash used for investing activities	(4,794)	(40,234)
Cash flows from financing activities		
Repayments of borrowings	-	6,423
Dividends paid	(46,293)	(53,024)
Net cash flows used for financing activities	(46,293)	(46,601)
Net gain/(loss) on revaluation of cash in foreign currencies	(24)	(574)
Net increase/(decrease) in cash and cash equivalents	21,948	(56,876)
Balances of cash at the beginning of the period	42,550	99,426
Balances of cash at the end of the period	64,498	42,550

“BDO ARMENIA” LLC

Consolidated statement of changes in equity
for the year ended 31 December 2019

	Share capital AMD'000	Share premium AMD'000	Other reserve AMD'000	Retained earnings AMD'000	Total AMD'000
31 December 2018	7,000	13,965	-	76,251	97,216
Comprehensive income for the year					
Profit			-	49,861	49,861
Total comprehensive Income for the year	-	-	-	49,861	49,861
Contributions by and distributions to owners					
Dividends				(64,000)	(64,000)
Reclass	-	2,430	6,050	(8,480)	-
Total contributions by and distributions to owners	-	2,430	6,050	(72,480)	(64,000)
31 December 2019	7,000	16,395	6,050	53,631	83,076
31 December 2017	5,950	38,967	-	969	45,886
Comprehensive Income for the year					
Profit			-	33,935	33,935
Total comprehensive Income for the year	-	-	-	33,935	33,935
Contributions by and distributions to owners					
Reclass		(41,347)	-	41,347	-
Issue of share capital	1,050	16,345			17,395
Total contributions by and distributions to owners	1,050	(25,002)	-	41,347	17,395
31 December 2018	7,000	13,965	-	76,251	97,216

“BDO ARMENIA” CJSC
Notes forming part of the consolidated financial statements
For the year ended 31 December 2019 (continued)

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For the year ended 31 December 2019 (continued)

Notes to the financial statements

1. Company background

“BDO Armenia” CJSC (hereinafter referred to as “the Company”) was registered by State Register Agency of Legal Entities of the Republic of Armenia on January 21, 2010 (Registration number 273.120.05398; Certificate N 03U 086921). Later on the Company merged with “Ameria Audit” CJSC and the merger was registered by State Register Agency of Legal Entities of the Republic of Armenia on November 19, 2012.

The objective of the Company is to implement economic activities for the purpose of deriving profit.

The Company conducts its activities based on the audit license N 082, issued by the Ministry of Finance of the Republic of Armenia. It renders audit and audit related services, as well as accounting and consulting services.

The Company’s business and postal addresses are as follows: 23/6 Davit Anhaghti St., 5th Floor, Room 7, 0069 Yerevan, Armenia.

On January 11, 2018, SOS Audit LLC merged with the Company.

On April 19, 2018, the Company set up a new subsidiary BDO Advisory cjsc.

On September 03, 2018, the Company issued additional shares, which were acquired by the shareholders of Paradigma Armenia CJSC as an exchange of 100% of Paradigma Armenia shares.

As a result Paradigma Armenia CJSC (registered in RA) became 100% subsidiary of BDO Armenia CJSC and later was renamed to BDO Accounting, Tax and Legal cjsc.

Subsidiary

Information about subsidiaries is presented below :

Name	Country of incorporation and principal place of business	Proportion of ownership interest at 31 December	
		2019	2018
BDO Advisory cjsc	Republic of Armenia	100%	100%
BDO Accounting, Tax And Legal cjsc	Republic of Armenia	100%	100%

2. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out in note 12. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in Armenian drams (AMD), which is also the Company’s functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Company’s accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

“BDO ARMENIA” CJSC
Notes forming part of the consolidated financial statements
For the year ended 31 December 2019 (continued)

Basis of measurement

The financial statements have been prepared on a historical cost basis.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2018

- IFRS 16, Leases;
- IFRIC 23 Uncertainty over Income Tax Treatments

None of them had a significant effect on the Company’s financial statements.

b) New standards, interpretations and amendments not yet effective

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

“BDO ARMENIA” CJSC
Notes forming part of the consolidated financial statements
For the year ended 31 December 2019 (continued)

3. Critical accounting estimates and judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Trade receivables - collectability of trade receivables (see Note 4- Credit risk).

Depreciation method and useful life of Property, plant and equipment - useful lives of Property, plant and equipment are based on management’s estimate and can be revised in the future.

Fair value measurement

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

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

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

4. Financial Instruments - Risk Management

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Liquidity risk

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

i. Principal financial instruments

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

- Trade and other receivables
- Borrowings provided
- Cash and cash equivalents
- Trade and other payables

“BDO ARMENIA” CJSC
Notes forming part of the consolidated financial statements
For the year ended 31 December 2019 (continued)

ii. Financial instruments by category

<i>Financial assets</i>	<i>Loans and receivables</i>	
	2019 AMD'000	2018 AMD'000
Trade and other receivables	113,993	67,824
Borrowings provided	-	22,212
Cash and cash equivalents	64,498	42,550
	178,491	132,586

<i>Financial liabilities</i>	<i>Financial liabilities at amortised cost</i>	
	2019 AMD'000	2018 AMD'000
Trade and other payables	10,702	15,748
	10,702	15,748

iii. Financial instruments not measured at fair value

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

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

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales.

Credit risk also arises from cash and cash equivalents and deposits with banks. The Company policy is that only largest banks are acceptable.

Market risk

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Fair value and cash flow interest rate risk

The Company is exposed to cash flow interest rate risk from long-term borrowings at variable rate. The Company has no loans and borrowings at variable rate; hence there is no cash flow interest rate risk.

Foreign exchange risk

Foreign exchange risk arises when Company enters into transactions denominated in a currency other than their functional currency.

“BDO ARMENIA” CJSC
Notes forming part of the consolidated financial statements
For the year ended 31 December 2019 (continued)

The exchange rates applied by the Company to translate foreign currency denominated assets and liabilities are those published by the Central Bank of Armenia as at the reporting date, which are presented in the table below (the value of one foreign currency unit is expressed in AMD).

	2019 AMD	2018 AMD
1 USD	479.70	483.75
1 EUR	537.26	553.65

As of 31 December, the Company's net exposure to foreign exchange risk was as follows:

	31.12.2019	31.12.2018
	AMD'000	AMD'000
Net foreign currency financial assets /(liabilities)		
EUR	25,783	7,206
USD	31,271	27,935
Total net exposure	57,054	35,141

The effect of a 10% strengthening of USD against AMD at the reporting date on the USD-denominated net assets carried at that date would, all other variables held constant, have resulted in a increase in pre-tax profit for the year and increase of net assets of AMD 3 million (2018: AMD 3 million). A 10% weakening in the exchange rate would, on the same basis, have decreased pre-tax profit and decreased net assets by AMD 3 million (2018: AMD 3 million).

Liquidity risk

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

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. In that context, the Company aims to keep sufficient cash to meet its obligations.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities of the Company.

	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
At 31 December 2019					
Trade and other payables	10,702	-	-	-	-
	<u>10,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
At 31 December 2018					
Trade and other payables	7,533	-	8,215	-	-
	<u>7,533</u>	<u>-</u>	<u>8,215</u>	<u>-</u>	<u>-</u>

“BDO ARMENIA” CJSC
Notes forming part of the consolidated financial statements
For the year ended 31 December 2019 (continued)

5. Expenses by nature

2019	Total AMD'000	Cost of sale AMD'000	Administrative expenses AMD'000	Selling expenses AMD'000	Other expenses AMD'000
Employee benefits	541,685	430,342	108,576	2,767	-
Office expenses	40,473	76	40,397	-	-
Depreciation and amortisation	5,294	-	5,294	-	-
Other expenses	179,540	123,129	44,863	7,968	3,580
	766,992	553,547	199,130	10,735	3,580

2018	Total AMD'000	Cost of sale AMD'000	Administrative expenses AMD'000	Selling expenses AMD'000	Other expenses AMD'000
Employee benefits	380,171	310,198	69,372	601	-
Office expenses	44,165	-	44,165	-	-
Depreciation and amortisation	1,445	-	1,445	-	-
Other expenses	78,351	37,050	33,362	3,525	4,414
	504,132	347,248	148,344	4,126	4,414

“BDO ARMENIA” CJSC
Notes forming part of the consolidated financial statements
For the year ended 31 December 2019 (continued)

6. Trade and other receivables

	2019 AMD'000	2018 AMD'000
Trade receivables	110,286	66,329
Receivables from related parties	3,707	1,495
Total financial assets other than cash and cash equivalents classified as loans and receivables	113,993	67,824
Prepayments	30,277	17,437
Receivables from state budget	-	812
Other receivables	1,327	3,595
Total trade and other receivables	145,597	89,668

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

Receivables from related parties are disclosed in Note 9.

7. Trade and other payables

	2019 AMD'000	2018 AMD'000
Trade payables	4,523	2,315
Dividends payable	-	8,215
Other payables	6,179	5,218
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	10,702	15,748
Received prepayments	22,414	16,424
Taxes payable	26,959	17,682
Total trade and other payables	60,075	49,854

The carrying value of trade and other payables classified as financial liabilities measured at amortized cost approximates their fair value.

8. Share capital and total equity

	2019 AMD'000	2018 AMD'000
Share capital	7,000	7,000

“BDO ARMENIA” CJSC
Notes forming part of the consolidated financial statements
For the year ended 31 December 2019 (continued)

The Company's share capital is AMD 7,000,000 (seven million), which comprises 7,000 (seven thousand) shares with a par value of AMD 1'000 (one thousand) per share.

All 7,000 shares are issued and fully paid.

9. Related Party Disclosures

The Company enters into transactions with related parties under conditions equal to those of transactions between independent parties.

(i) Management remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Managing partner, deputy directors and heads of units.

Remuneration received by the key management personnel during the year is presented below:

	2019 AMD'000	2018 AMD'000
Salary and other benefits	133,492	118,771

(ii) Other related party transactions

a) Transactions with companies under common control

Type of transaction	Transaction amount		Balance owed	
	2019 AMD'000	2018 AMD'000	2019 AMD'000	2018 AMD'000
Purchase of services	17,045	20,981	1,162	415
Sale of services	21,661	6,284	3,707	1,495

10. Contingent liabilities

The Company is not enrolled in legal cases, which can materially affect financial statements of the Company.

11. Effects of changes in accounting policies

No changes in the accounting policies have been accounted for in 2018.

12. Accounting policies

Revenue

Revenue from the sales of goods is recognised when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Where the buyer has a right of return, the Company defers recognition of revenue until the right to return has lapsed.

Provided the amount of revenue can be measured reliably and it is probable that the Company will receive any consideration, revenue for services is recognised in the period in which they are rendered.

Foreign currency

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Financial assets

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Financial liabilities

Other financial liabilities

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity instruments.

Borrowing costs

Borrowing costs are capitalised, net of interest received on cash drawn down yet to be expended when they are directly attributable to the acquisition, contribution or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

The significant intangibles recognised by the Company, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Licences and trademarks	10 years	Multiple of estimated revenues and profits
Contractual relationships	Term of contract (up to 5 years)	Estimated discounted cash flow

Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the product
- the Company is able to sell the product
- sale of the product will generate future economic benefits, and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Company expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales line in the statement of comprehensive income.

“BDO ARMENIA” CJSC
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For the year ended 31 December 2019 (continued)

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

Dividends

Dividends are recognised when they become legally payable, this is when approved by the shareholders.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

In respect of deferred tax assets arising from investment property measured at fair value, the presumption that recovery will be through sale rather than use has not been rebutted.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Equipment	- 20% per annum straight line
Computer equipment	- 20% per annum straight line
Motor vehicles	- 10% per annum straight line

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

FIFO cost is used to determine the cost of ordinarily interchangeable items.

Provisions

The Company recognises provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. In the case of leasehold dilapidations, the provision takes into account the potential that the properties in question may be sublet for some or all of the remaining lease term.