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Independent Auditors' Report

To the Board of Directors of Lernametalurgiai Institute CJSC

Opinion

We have audited the financial statements of Lernametalurgiai Institute CJSC (the "Company"), which comprise the statements of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2020, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' 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 Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (*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 these requirements and the IESBA Code. 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the 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 either 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 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 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is:


Tigran Gasparyan

Managing Partner, Director of KPMG Armenia LLC


KPMG Armenia LLC

KPMG Armenia LLC
14 December 2021



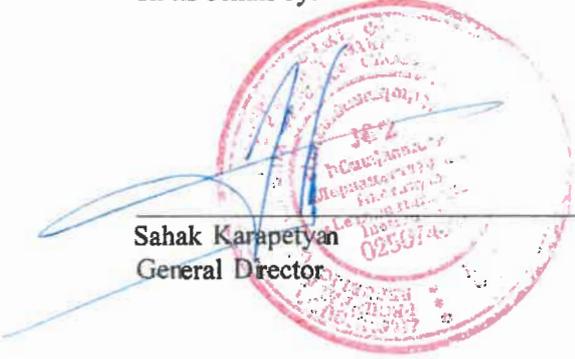
Statement of Financial Position as at 31 December 2020

'000 AMD	Note	31 December 2020	31 December 2019
Assets			
Property and equipment	10	2,595,186	2,674,836
Intangible assets		14,799	24,434
Investment property	11	2,098,589	2,137,218
Other non-current assets		49	49
Non-current assets		4,708,623	4,836,537
Inventories	12	492,275	507,980
Trade and other receivables	13	416,355	1,529,351
Value-added tax recoverable		-	877,104
Borrowings given	14	2,348,252	4,261,634
Current tax assets		-	45,624
Deposits in banks		-	5,037
Cash and cash equivalents	15	1,285,961	925,529
Current assets		4,542,843	8,152,259
Total assets		9,251,466	12,988,796
Equity			
Share capital		223,215	223,215
Share premium		1,018,215	1,018,215
Retained earnings		6,214,604	5,901,204
Total equity	16	7,456,034	7,142,634
Liabilities			
Deferred tax liabilities	9	430,700	451,789
Non-current liabilities		430,700	451,789
Loans and borrowings	17	-	2,168,244
Trade and other payables	18	1,304,711	3,113,872
Contract liabilities		40,603	112,257
Current tax liabilities		19,418	-
Current liabilities		1,364,732	5,394,373
Total liabilities		1,795,432	5,846,162
Total equity and liabilities		9,251,466	12,988,796

Statement of Profit or Loss and Other Comprehensive Income for 2020

'000 AMD	Note	2020	2019
Revenue	5	44,932,514	65,499,266
Cost of sales	6	(44,322,461)	(63,868,356)
Gross profit		610,053	1,630,910
Other income		500,902	352,157
Administrative expenses	7	(747,776)	(783,472)
Selling expenses		(222,074)	(307,011)
Other expenses		(302,323)	(245,423)
Results from operating activities		(161,218)	647,161
Finance income	8	649,026	251,835
Finance costs	8	(59,087)	(144,962)
Net finance income		589,939	106,873
Profit before income tax		428,721	754,034
Income tax expense	9	(115,321)	(193,941)
Profit and total comprehensive income for the year		313,400	560,093

These financial statements were approved by management on 14 December 2021 and were signed on its behalf by:



Sahak Karapetyan
General Director



Lusya Abrahamyan
Chief Accountant

Statement of Changes in Equity for 2020

'000 AMD	Share capital	Share premium	Retained earnings	Total
Balance at 1 January 2019	223,215	1,018,215	5,341,111	6,582,541
Total comprehensive income				
Profit for the year	-	-	560,093	560,093
Total comprehensive income for the year	-	-	560,093	560,093
Balance at 31 December 2019	223,215	1,018,215	5,901,204	7,142,634
Balance at 1 January 2020	223,215	1,018,215	5,901,204	7,142,634
Total comprehensive income				
Profit for the year	-	-	313,400	313,400
Total comprehensive income for the year	-	-	313,400	313,400
Balance at 31 December 2020	223,215	1,018,215	6,214,604	7,456,034

Statement of Cash Flows for 2020

'000 AMD	Note	2020	2019
Cash flows from operating activities			
Cash receipts from customers, including VAT		49,049,356	68,331,076
Cash paid to suppliers and employees, including VAT		(58,034,107)	(81,752,333)
VAT refund received from the state budget		9,373,007	15,065,839
Taxes paid other than on income and VAT		(528,122)	(861,137)
Other receipts		20,876	24,573
Cash flows from/(used in) operations before income taxes and interest paid		(118,990)	899,863
Interest paid	17(b)	(59,073)	(117,882)
Income tax paid		(71,369)	(360,900)
Net cash from/(used in) operating activities		(249,432)	329,236
Cash flows from investing activities			
Acquisition of property and equipment		(78,315)	(200,569)
Acquisition of investment property		(359)	(42,156)
Proceeds from sale of property and equipment		10,948	366,534
Withdrawal of deposits in banks		5,052	5,576
Proceeds from borrowings given		2,540,984	(867,626)
Interest received		255,099	160,704
Net cash from/(used in) investing activities		2,733,410	(577,537)
Cash flows from financing activities			
Repayment of loans and borrowings	18(b)	(2,206,334)	331,753
Net cash from/(used in) financing activities		(2,206,334)	331,753
Net increase in cash and cash equivalents		277,644	83,452
Cash and cash equivalents at 1 January		925,529	922,278
Effect of exchange rate fluctuations on cash and cash equivalents		82,788	(80,201)
Cash and cash equivalents at 31 December	16	1,285,961	925,529