GLOCAL CJSC

Financial Statements

For the year ended 31 December 2023
together with independent auditor's report

Contents

Financial Statements

Notes to the financial statements

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բարեկեցիկ աշխարհ

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Independent auditor's report

To the Board of Directors of GLOCAL CJSC

Opinion

We have audited the financial statements of Glocal CJSC (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and its 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 financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) 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 the Board of Directors 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 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 the Board of Directors 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.

Ernst & Young CJSC
Yerevan, Armenia

General Director — Eric Hayrapetyan

Partner (Assurance) — Dmytro Iurgelevych

19 June 2024

Statement of financial position

As at December 31, 2023

In thousands of Armenian Drams unless otherwise stated

	Notes	December 31, 2023	December 31, 2022
Assets			
Cash and cash equivalents	10	11,381	5,971
Financial assets at fair value through profit or loss	11	621,528	438,827
Property, equipment and intangibles		2,152	268
Deferred tax assets	9	1,027	616
Other assets	12	17,218	6,896
Total assets		**653,306**	**452,578**
Equity and liabilities			
Capital and reserves	13		
Share capital		30,000	30,000
Share premium		30,000	30,000
Statutory general reserve		4,500	4,500
Retained earnings		567,985	372,736
Total equity		**632,485**	**437,236**
Liabilities			
Payables and accrued expenses		10,228	5,662
Current income tax liability		10,593	9,680
Total liabilities		**20,821**	**15,342**
Total equity and liabilities		**653,306**	**452,578**

The financial statements were approved and signed on June 19, 2024 by the Management:

Marine Zakharyan
Chief Executive Officer

Hayk Manaselyan
Chief Accountant

June 19, 2024
Yerevan, Republic of Armenia

The notes on pages 5 – 19 form an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

For the year ended December 31, 2023

In thousands of Armenian Drams unless otherwise stated

	Notes	*2023*	*2022*
Fund management activities			
Revenue	5	127,823	107,376
Financial gain/(loss)			
Net gain/(loss) on financial assets at fair value through profit or loss	11	141,779	(34,666)
Interest income		19	4
Commission, bank and similar charges	6	(8,308)	(3,831)
Charge of loss allowance		(96)	(20)
Foreign exchange gain	7	2,234	19
Other income		71	60
Net financial gain/(loss)		**135,699**	**(38,434)**
Administrative expenses	8	(56,005)	(38,639)
Profit before tax		**207,517**	**30,303**
Income tax expense	9	(12,268)	(11,880)
Total profit and comprehensive income for the year		**195,249**	**18,423**

The notes on pages 5 − 19 form an integral part of these financial statements.

Statement of changes in equity

For the year ended December 31, 2023

In thousands of Armenian Drams unless otherwise stated

	Notes	*Share capital*	*Share premium*	*Statutory general reserve*	*Retained earnings*	*Total*
Balance at January 1, 2022		**30,000**	**30,000**	**4,500**	**354,313**	**418,813**
Total profit and comprehensive income for the year		–	–	–	18,423	**18,423**
Balance at December 31, 2022		**30,000**	**30,000**	**4,500**	**372,736**	**437,236**
Total profit and comprehensive income for the year		–	–	–	195,249	**195,249**
Balance at December 31, 2023		**30,000**	**30,000**	**4,500**	**567,985**	**632,485**

The notes on pages 5 − 19 form an integral part of these financial statements.

Statement of cash flows

For the year ended December 31, 2023

In thousands of Armenian Drams unless otherwise stated

	Notes	*2023*	*2022*
Cash flows from operating activities			
Fund management fees received		119,785	108,487
Interest received		19	4
Other income received		83	72
Commission expense paid		(7,712)	(3,324)
Net purchase of financial assets at fair value through profit or loss		(40,922)	(68,232)
Salaries and related expenses paid, excluding personal income tax		(27,496)	(21,436)
Payments for taxes other than on income		(11,678)	(6,722)
Prepayments and administrative expenses paid		(17,045)	(8,492)
Income taxes paid		(11,768)	(11,766)
Net cash from/(used in) operating activities		**3,266**	**(11,409)**
Net increase/(decrease) in cash and cash equivalents		**3,266**	**(11,409)**
Effect of exchange rate fluctuations on cash and cash equivalents		2,234	19
Allowance for impairment losses		(90)	(17)
Cash and cash equivalents at beginning of the year		5,971	17,378
Cash and cash equivalents at end of the year	10	**11,381**	**5,971**

The notes on pages 5 − 19 form an integral part of these financial statements.

In thousands of Armenian Drams unless otherwise stated

1. Reporting entity

“GLOCAL” closed joint stock company (the Company or GLOCAL) is an asset management company established under the laws of the Republic of Armenia. The Company was incorporated on February 20, 2017. The Company’s registered office is 39 Hanrapetutyun Street, 0010, Yerevan, Republic of Armenia.

The Company manages and administers assets held in unit funds. The financial statements of these entities are not included in these financial statements except when the Company controls the entity and consolidation requirements apply as per the respective reporting standards.

The Company operates the following non-public investment funds (“the Funds”):

- GLOCAL PROFIX AMD FUND;
- GLOCAL PROFIX USD FUND;
- GLOCAL HIGH YIELD EUROBONDS FUND;
- GLOCAL AYB FUND;
- GLOCAL BEN FUND;
- GLOCAL GIM FUND;
- GLOCAL UNIVERSE FUND;
- GLOCAL HIGH GRADE EUROBONDS FUND;
- GLOCAL ARMENIAN SOVEREIGN FUND.

The Company’s ownership structure is presented in Note 14. The Company had 4 employees as at December 31, 2023 (December 31, 2022: 3 employees).

2. Significant accounting policies

a. Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs).

b. Basis of preparation

These financial statements have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future.

The financial statements have been prepared on a historical-cost basis, except for financial instruments as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

In thousands of Armenian Drams unless otherwise stated

2. Significant accounting policies (continued)

b. Basis of preparation (continued)

The Company maintains its accounting records in accordance with the law of Armenia. These financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 17.

Exchange rates for the currencies in which the Company transacts were as follows:

	December 31, 2023	*December 31, 2022*
Closing exchange rates – AMD		
1 U.S. Dollar ("USD")	404.79	393.57
1 Russian Ruble ("RUB")	4.50	5.59

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Armenian dram is the currency of the RA and the Company's functional and presentation currency. All financial information is presented rounded to the nearest thousands of dram, except when otherwise indicated.

Financial assets. All financial assets are recognized and derecognized on a settlement date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- ► Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- ► Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- ► All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

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

A financial asset is measured at fair value through profit or loss if:

- ► Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- ► It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- ► At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

In thousands of Armenian Drams unless otherwise stated

2. Significant accounting policies (continued)

Fee and commission expense. Fee and commission expense include fees other than those that are an integral part of EIR (see above).

Fee and commission expenses with regards to services are accounted for as the services are received.

Asset management activities and commission income

Asset management and administration fees (management fees) relate to fees earned on fiduciary activities where the Company holds or invests assets on behalf of its clients, and provides other asset-based financial services. These fees are based upon daily balances of client assets invested in these funds. The fair values of client assets included in funds are based on quoted market prices and other observable market data.

Assets under management and under custody of the Company are not assets of the Company and therefore are not recognized in the statement of financial position. The Company is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

High performance bonus from fundholders

Fund rules specify high performance bonus receivable from investors who have held their investments in the funds for a specified period or for investors who have redeemed their investments from the funds. The bonus calculation methods differ from fund to fund and are specified in the fund rules.

The management recognizes revenue on high performance bonus at the moment the Company is eligible for bonus. The bonus is not accrued over the investment retention period as the amount of consideration is highly susceptible to factors outside the entity's influence, and include securities market volatility, intentions of third parties, expected foreign exchange rates etc, which does not allow the Company to demonstrate that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur at an earlier point.

Security transactions and related investment income

Securities transactions are accounted for on settlement date. Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date. The securities that represent unit holdings in investment funds are transacted at net asset value per unit as published or reported by the respective funds.

In the statement of profit or loss and other comprehensive income net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, and where applicable includes interest and dividend income. The gain or loss from units held in funds reflects the changes in net asset values per units held.

Foreign currency

Transactions in foreign currencies are translated into the functional currency at the appropriate exchange closing rate on the dates of the transactions. In the absence of exchange closing rates, average daily exchange rate published by CBA is used. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss as net foreign exchange gain (loss), except for those arising on financial instruments at fair value through profit or loss, which are recognized as a component of net gain or loss from financial instruments at fair value through profit or loss.

In thousands of Armenian Drams unless otherwise stated

2. Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax. The tax currently payable is based on taxable profit for the year. Taxable profit before tax differs from profit before income tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year. Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Operating taxes. The Republic of Armenia also has various other taxes, which may be assessed on the Company's activities. These taxes are included as a component of operating expenses in the statement of profit or loss and other comprehensive income.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Control over the Funds

As disclosed in Note 1, the Company operates the Funds as the fund manager, while also holding direct investments in the Funds varying from 8.5% to 15.3% as at 31 December 2023, as well as receiving certain performance-based fees in addition to fees linked to net asset values of the Funds. The management determined, exercising significant judgment, that the Company does not control the Funds, considering the limited extend of the Company's exposure to variable returns from the Funds' operations, the Funds' investor composition, Funds' rules associated with termination of the Company's role as Funds' manager and other relevant factors.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

In thousands of Armenian Drams unless otherwise stated

3. Significant accounting judgements, estimates and assumptions (continued)

Fair value measurements

Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year relate to accounting for financial instruments, particularly fair value measurements. The best evidence of fair value are fair value per units published quotations by the funds. See *Note 15.*

4. New standards and interpretations not yet adopted

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The amendments are not expected to have a material effect on the Company's financial statements:

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7.

New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. With exception of amendments to IAS 1 and IFRS Practice Statement 2 as disclosed in this Note, no other standard or amendment affected the Company's financial statements:

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

IFRS 17 Insurance Contracts

Definition of Accounting Estimates - Amendments to IAS 8

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

5. Fund management activities

	2023	***2022***
Investment management fees from funds	116,993	92,341
High performance bonus from fundholders	9,936	15,035
Fees from funds units placement	894	–
Total revenue from fund management activities	**127,823**	**107,376**

During the reporting period the Company's fund management activities included management of nine funds. Investment management fees are calculated based on the net assets values of the respective funds under management, and the management bonus fee is calculated based on fund returns generated during the reporting period. Management fees and bonus fees are governed by the fund rules of the respective funds under management.

In thousands of Armenian Drams unless otherwise stated

6. Commission, bank and similar charges

	2023	**2022**
Brokerage fees for security purchase	3,565	–
Fees for registration of new funds	1,800	2,880
Other	2,943	951
Total commission, bank and similar charges	**8,308**	**3,831**

7. Foreign exchange gain

	2023	***2022***
Gain/(loss) from foreign exchange revaluation	3,533	(7)
(Loss)/gain from foreign exchange purchase transactions	(1,299)	26
	2,234	**19**

8. Administrative expenses

	2023	***2022***
Employee compensation	39,495	30,242
Professional services	9,402	1,200
Short term leases	4,709	4,709
Representative expenses	1,602	1,745
Taxes other than on income	422	160
Depreciation and amortization	74	152
Communication, connection charges and expenses	71	–
Other	230	431
Total administrative expenses	**56,005**	**38,639**

The management has applied recognition exemption for short term leases as specified in IFRS 16. The Company’s lease contract is short term, as it is cancellable with the six-months’ notice period. The management determined, exercising judgment, that it is not reasonably certain that the Company will not terminate the lease contract upon expiration of its contractual term, considering the intentions of the management and other relevant factors.

Fees to the auditor for the audit of Company's financial statements for the year ended 31 December 2023 amounted to AMD 1,670 thousand (2022: AMD 1,200 thousand). No non-audit services were provided by the Company's external auditor in 2023.

9. Income tax

	2023	***2022***
Current income tax expense	12,679	11,942
Deferred tax benefit	(411)	(62)
Total income tax expense	**12,268**	**11,880**

The Company measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the RA, which may differ from IFRS.

The Company is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

In thousands of Armenian Drams unless otherwise stated

9. Income tax (continued)

The tax rate used for the reconciliations below is the corporate tax rate of 18% payable by entities in the RA on taxable profits (as defined) under tax law in that jurisdiction (2022: 18%).

	2023		*2022*	
Profit before tax	207,517		30,303	
Tax at the statutory tax rate	37,353	18.0%	5,455	18.0%
Net (gain)/loss on financial assets at FVTPL	(25,520)	-12.3%	6,241	20.6%
Net non-deductible expense	435	0.2%	184	0.6%
Income tax expense	**12,268**	**5.9%**	**11,880**	**39.2%**

The following is the analysis of deferred tax assets presented in the statement of financial position:

	January 1, 2022	*Recognized in profit or loss*	*December 31, 2022*	*Recognized in profit or loss*	*December 31, 2023*
Deferred tax assets					
Payables and accrued expenses	540	58	598	394	992
Provision of impairment of financial assets	14	4	18	17	35
Total deferred tax assets	**554**	**62**	**616**	**411**	**1,027**

10. Cash and cash equivalents

	December 31, 2023	*December 31, 2022*
Current accounts	11,567	6,067
Less: allowance for impairment losses	(186)	(96)
Total cash and cash equivalents	**11,381**	**5,971**

None of the balances are past due or impaired.

Allowance for impairment losses is recognised as per IFRS 9 adoption requirements and represents Stage 1 asset-related allowance. A reconciliation of the impairment loss allowance by stages in accordance with IFRS 9 is as follows:

	2023		*2022*	
	Stage 1	*Total*	*Stage 1*	*Total*
Impairment loss allowance at January 1	96	**96**	79	**79**
Increase in loss allowance during the year	90	**90**	17	**17**
Impairment loss allowance at December 31	**186**	**186**	**96**	**96**

11. Financial instruments at fair value through profit or loss

	December 31, 2023	*December 31, 2022*
Units held in GLOCAL PROFIX AMD FUND	382,614	279,893
Units held in GLOCAL PROFIX USD FUND	143,482	124,604
Units held in GLOCAL GIM FUND	52,850	–
Units held in GLOCAL HIGH YIELD EUROBONDS FUND	42,582	34,330
Total financial assets at fair value through profit or loss	**621,528**	**438,827**

Units in funds represent unit-holdings in funds under management. These units are carried at Company's share of the net asset value of the funds as at reporting date.

In thousands of Armenian Drams unless otherwise stated

11. Financial instruments at fair value through profit or loss (continued)

In 2023, the net gain from financial assets at fair value through profit or loss amounted to a gain of AMD 141,779 thousand (2022: a net loss of AMD 34,666 thousand). The net gain or loss includes changes due to currency and fair value fluctuations arising from units held in funds under management.

12. Other assets

	December 31, 2023	***December 31, 2022***
Financial other assets		
Investment management fees receivable	14,902	6,864
Less: allowance for impairment loss	(11)	(5)
Total financial other assets	**14,891**	**6,859**
Non-financial other assets		
Prepayments	2,327	37
Total non-financial other assets	**2,327**	**37**
Total other assets	**17,218**	**6,896**

None of the balances are past due or impaired.

Allowance for impairment losses is recognised as per IFRS 9 adoption requirements and have been measured using simplified approach.

13. Share capital

In accordance with the Charter, the Company's authorized share capital consists of 980,000 ordinary shares of AMD 1,000. As at December 31, 2023 and 2022 the paid in capital comprised of 30,000 ordinary shares of nominal value of AMD 1,000 each. As of December 31, 2023 and 2022 the Company's registered and paid-in share capital was AMD 60,000 thousand represented by AMD 30,000 thousand of share capital and AMD 30,000 thousand share premium reserve.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share. The Company is not subject to minimum capital adequacy requirements imposed by the regulator.

In accordance with Armenian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with accounting regulations of the Republic of Armenia, except for restrictions on retained earnings as described further. According to legal requirements and the Company's charter, the Company is required to create a non-distributable reserve from its retained earnings for an amount equal to 15% of its share capital for the purpose of covering future losses.

14. Related parties transactions

Parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of the present financial statements, related parties include the parent company, ultimate shareholders, funds under management, the Company's management as well as other persons and enterprises related with and controlled by them respectively.

The Company's shareholding structure as at December 31, 2023 and 2022 is represented by:

Armbrok OJSC	33.33%
German Caucasian Trading LTD	33.33%
Mr. Aram Kayfajyan	33.33%

In thousands of Armenian Drams unless otherwise stated

14. Related parties transactions (continued)

Related party transactions, outstanding balances at the year end, and related expense and income for the period are as follows:

	December 31, 2023	
	Shareholders exercising significant influence	***Key management personnel***
Statement of profit or loss and other comprehensive income		
Management compensation, included in administrative expenses	–	(24,171)
High performance bonus from fundholders	3,343	–
Fees from funds units placement	312	–
Commission, bank and similar charges	(93)	–
Short term leases	(3,924)	–
Statement of financial position		
Payables and accrued expenses	(401)	–

	December 31, 2022	
	Shareholders exercising significant influence	***Key management personnel***
Statement of profit or loss and other comprehensive income		
Management compensation, included in administrative expenses	–	(14,175)
High performance bonus from fundholders	13,007	–
Commission, bank and similar charges	(84)	–
Short term leases	(3,924)	–
Statement of financial position		
Payables and accrued expenses	(392)	(2,255)

15. Risk management

The Company's business activities expose it to a variety of financial risks, including market, credit, liquidity risks, and non financial risks, including technology, operations, legal, and reputational risks. Identification and management of these risks are essential to the success and financial soundness of the Company. This note presents information about the Company's exposure to these risks, its objectives, policies and processes for measuring and managing risks.

There have been no changes in the risk management since year-end or in any risk management policies.

The Company takes an active role in the risk management process and has policies and procedures under which specific business and control units are responsible for identifying, measuring, and controlling various risks. Oversight of risk management is delegated to the Executive body of the Company, which is responsible for reviewing and monitoring risk exposures and leading the continued development of risk management policies and practices. The specific areas include:

- Credit and market risk, focusing on credit exposures resulting from taking positions in certain securities;
- Information security and privacy, focusing on information security and privacy policies, procedures and controls;
- Investment management, focusing on activities in which the Company and its principals operate in an investment advisory capacity;
- Operational risk management, focusing on risks relating to potential inadequate or failed internal processes, people and systems, and from external events and relationships (e.g., vendors and business partners).

Management has written policies and procedures that govern the conduct of business by employees, relationships with clients and the terms and conditions of relationships with counterparties. The client related policies address the client participation in funds, data and physical security, compliance with industry regulation and codes of ethics to govern employee and advisor conduct among other matters.

Risk is inherent in the Company's business. Consequently, despite efforts to identify areas of risk and implement risk management policies and procedures, there can be no assurance that the Company will not suffer unexpected losses due to operating or other risks.

In thousands of Armenian Drams unless otherwise stated

15. Risk management (continued)

a. Financial risk management

Financial risks are risks arising from financial instruments to which the Company is exposed during or at the end of the reporting period. Financial risk comprises market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Credit risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The Company bears credit risk primarily on investing activities and bank balances. The Company seeks to control its credit risks by applying monitored investment strategy as well as sound selecting of servicing banking partners. The Company may enter into secured financing transactions such as sale and repurchase agreements (repo agreements) or purchase and resale agreements (reverse repo agreements). For secured transactions involving repurchase and resale agreements the Company is permitted to sell or repledge the securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover any short positions.

The Company has responsibility for the oversight of credit risk and is responsible for management of the Company's credit risk, including formulating credit policies, covering collateral requirements, credit assessment, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, and by issuer, credit rating band, market liquidity and country. Management does not have an internal credit rating system and manages the credit risk by regularly reviewing asset quality, defining and amending where necessary the risk appetite by using, among other things, policies on limits, specific approvals for large transactions.

As at December 31, 2023 and December 31, 2022 credit risk exposure of financial assets is presented in the table below:

	December 31, 2023	*December 31, 2022*	*Country*	*Credit rating at December 31, 2023*
Cash and cash equivalents	11,381	5,971	Armenia	Ba2 to B2
Financial assets at fair value through profit or loss	621,528	438,827	Armenia	Unrated
Other financial assets	14,891	6,859	Armenia	Unrated
	647,800	**451,657**		

As at December 31, 2023 and 2022 all the financial assets are with counterparties within RA and none of the financial assets are past due or impaired.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Factors which affect the cash position and cash flows include investment activity in securities, capital transactions and other factors. The combination of these factors can cause significant fluctuations in the cash position during specific time periods.

The Company's policy to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions.

In the tables below the financial assets and liabilities, as recognised in the statement of financial position as at December 31, 2023 and as at December 31, 2022 are presented on a discounted basis and are based on their contractual cash flows. Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms. Management holds financial assets at fair value through profit or loss that are liquid and can be used to meet outflows of financial liabilities. Management estimates that undiscounted cash flows for financial liabilities approximates the information presented in below table and is not separately presented.

In thousands of Armenian Drams unless otherwise stated

15. Risk management (continued)

a. Financial risk management (continued)

	December 31, 2023				
	Carrying amount	***On demand or less than 1 month***	***From 1 to 6 months***	***From 6 to 12 months***	***More than 1 year***
Financial assets					
Cash and cash equivalents	11,381	11,381	–	–	–
Financial assets at fair value through profit or loss	621,528	621,528	–	–	–
Other financial assets	14,891	14,891			
Total financial assets	**647,800**	**647,800**	**–**	**–**	**–**
Financial liabilities					
Other financial payables	2,629	2,629	–	–	–
Total financial liabilities	**2,629**	**2,629**	**–**	**–**	**–**
Net liquidity position	**645,171**	**645,171**	**–**	**–**	**–**

	December 31, 2022				
	Carrying amount	***On demand or less than 1 month***	***From 1 to 6 months***	***From 6 to 12 months***	***More than 1 year***
Financial assets					
Cash and cash equivalents	5,971	5,971	–	–	–
Financial assets at fair value through profit or loss	438,827	438,827	–	–	–
Other financial assets	6,859	6,859			
Total financial assets	**451,657**	**451,657**	**–**	**–**	**–**
Financial liabilities					
Other financial payables	1,016	1,016	–	–	–
Total financial liabilities	**1,016**	**1,016**	**–**	**–**	**–**
Net liquidity position	**450,641**	**450,641**	**–**	**–**	**–**

The Company management considers the financial assets at fair value through profit or loss as liquid assets which the Company is able to convert to cash hence the Company has presented these assets as on demand or less than one month.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Company's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company manages its investment inventory by product type and on a daily basis.

Interest rate risk

The Company is not exposed to the risk that the fair value or income / future cash flows of its financial instruments portfolio will fluctuate as a result of fluctuations in market interest rates as the all financial instruments of the Company are non-interest bearing.

Foreign currency risk

Foreign currency risk arises in respect of those recognized monetary financial assets and liabilities that are not in the functional currency of the Company.

In thousands of Armenian Drams unless otherwise stated

15. Risk management (continued)

a. Financial risk management (continued)

The table below summarizes the exposure to foreign currency exchange rate risk at the end of the reporting period:

	December 31, 2023		
	Armenian Drams	***US Dollars***	***Total***
Financial assets			
Cash and cash equivalents	11,381	–	11,381
Financial assets at fair value through profit or loss	382,614	238,914	621,528
Other financial assets	14,891	–	14,891
Total financial assets	**408,886**	**238,914**	**647,800**
Financial liabilities			
Payables	2,629	–	2,629
Total financial liabilities	**2,629**	**–**	**2,629**
Net position	**406,257**	**238,914**	**645,171**

	December 31, 2022		
	Armenian Drams	***US Dollars***	***Total***
Financial assets			
Cash and cash equivalents	5,971	–	5,971
Financial assets at fair value through profit or loss	279,893	158,934	438,827
Other financial assets	6,859	–	6,859
Total financial assets	**292,723**	**158,934**	**451,657**
Financial liabilities			
Payables	1,016	–	1,016
Total financial liabilities	**1,016**	**–**	**1,016**
Net position	**291,707**	**158,934**	**450,641**

Amounts presented above under USD exposure represent investments in GLOCAL PROFIX USD FUND, GLOCAL EUROBONDS FUND and GLOCAL GIM FUND which mainly trade USD denominated corporate and government securities and for currency risk management purposes the management considers the exposure as foreign currency denominated assets.

The tables below indicate the currencies to which the Company had significant exposure at 31 December 2023 and 2022 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Armenian Dram, with all other variables held constant on the statement of profit or loss. A negative amount in the table reflects a potential net reduction in the statement of profit or loss statement, while a positive amount reflects a net potential increase.

AMD'000	***Change in currency rate in % 2023***	***Effect on profit before tax 2023***	***Change in currency rate in % 2022***	***Effect on profit before tax 2022***
Currency				
	10.00%	23,891	12.60%	20,026
USD	-10.00%	(23,891)	-12.60%	(20,026)

In thousands of Armenian Drams unless otherwise stated

15. Risk management (continued)

a. Financial risk management (continued)

Other price risks

The Company is exposed to unit price risks arising from units held in funds under its management. The Company does not actively trade these investments. The sensitivity analyses below have been determined based on the exposure to net asset value price risks at the end of the reporting period.

If Funds' net asset values had been 5% higher (lower), the value of financial assets at fair value through profit or loss for 2023 year would increase (decrease) by AMD 31,076 thousand (2022: AMD 21,941 thousand) as a result of the changes in fair value of units held in respective funds.

b. Operational risk

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation. The primary responsibility for the development and implementation of controls over operational risk rests with the Executive management of the Company.

c. Capital risk management

The Company manages its capital to ensure it is able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. There are no external capital requirements for the Company.

d. Non-financial risk management

Technology and operating risk

The Company faces technology and operating risk which is the potential for loss due to deficiencies in control processes or technology systems of the Company, its vendors or its outsourced service providers that constrain the ability to gather, process, and communicate information and process transactions efficiently and securely, without interruptions. This risk also includes the risk of human error, employee misconduct, external fraud, computer viruses, distributed denial of service attacks, terrorist attacks, and natural disaster. The Company's operations are highly dependent on the integrity of its technology systems and success depends, in part, on the ability to make timely enhancements and additions to its technology in anticipation of evolving client needs. To the extent the Company experiences system interruptions, errors or downtime, business and operations could be significantly negatively impacted. To minimize business interruptions, the Company maintains backup and recovery functions, including facilities for backup and communications, and conducts testing of disaster recovery plans.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. The Company maintains policies and procedures regarding the standard of care expected with data, whether the data is internal information, employee information, or non-public client information.

Despite risk management efforts, it is not always possible to deter or prevent technological or operational failure, or fraud or other misconduct, and the precautions taken by the Company may not be effective in all cases. The Company may be subject to litigation, losses, and regulatory actions in such cases, and may be required to expend significant additional resources to remediate vulnerabilities or other exposures.

Regulatory risks

As a participant in the securities, asset management markets, the Company may be subject to extensive regulation by governmental agencies and supervisory authorities. These regulatory agencies generally have broad discretion to prescribe greater limitations on the operations of a regulated entity for the protection of investors or public interest. The Company may also be subject to regulatory requirements relating to fiduciary duties to clients, performance fees, maintaining an effective compliance program, solicitation arrangements, conflicts of interest, advertising, limitations on agency cross and principal transactions between the advisor and advisory clients, recordkeeping and reporting requirements, disclosure requirements and general anti-fraud provisions.

In thousands of Armenian Drams unless otherwise stated

16. Fair values of financial instruments

Number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of financial assets and liabilities measured at fair value on a recurring basis

Because of the short term nature of most financial assets and financial liabilities, management believes that their carrying amounts approximate their fair values. For certain other financial assets and financial liabilities, fair values are determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability, however given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

	Fair value at December 31,			
Financial assets/ financial liabilities	***2023***	***2022***	***Fair value hierarchy***	***Valuation technique (s) and key input(s)***
Financial assets at fair value through profit or loss:				
Units in funds under management	621,528	438,827	Level 2	Net asset value of respective funds as published by the funds

Fund units held are classified as level 2 in the fair value hierarchy as they are measured at quoted price in a market that is not active. The funds in which the Company has invested, are open, which in accordance with local legislation and fund rules means that the funds are required to redeem the investments owned by a particular fundholder at published daily fair values when requested. Management applies judgment in categorizing financial instruments using the fair value hierarchy. The significance of a valuation input is assessed against the fair value measurement in its entirety.

During the reporting period there were no transfers between levels of fair value hierarchy.

Fair value of financial assets and liabilities not measured at fair value on a recurring basis

Cash and cash equivalents, other financial assets and payables are liquid or have a short term maturity (less than three months) therefore it is assumed that the carrying amounts approximate to their fair values.

17. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

	2023			***2022***		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Cash and cash equivalents	11,381	–	11,381	5,971	–	**5,971**
Financial assets at fair value through profit or loss	621,528	–	621,528	438,827	–	**438,827**
Property, equipment and intangible assets	–	2,152	2,152	–	268	**268**
Deferred tax assets	–	1,027	1,027	–	616	**616**
Other assets	17,218	–	17,218	6,896	–	**6,896**
	650,127	**3,179**	**653,306**	**451,694**	**884**	**452,578**
Payables and accrued expenses	10,228	–	10,228	5,662	–	**5,662**
Current income tax liabilities	10,593	–	10,593	9,680	–	**9,680**
	20,821	**–**	**20,821**	**15,342**	**–**	**15,342**

The Company management considers the financial assets at fair value through profit or loss as liquid assets which the Company is able to convert to cash hence the Company has presented these assets as maturing within one year.

In thousands of Armenian Drams unless otherwise stated

18. Contingencies

(a) Insurance

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

(b) Litigation

The Company does not have litigations that may have a material effect on the Company's results of operations or financial position.

(c) Taxation

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.