



GLOCAL CJSC

Financial Statements

*For the year ended 31 December 2022
together with independent auditor's report*

Contents

Financial Statements

Statement of financial position	1
Statement of profit or loss and other comprehensive income	2
Statement of changes in equity.....	3
Statement of cash flows.....	4

Notes to the financial statements

1. Reporting entity	5
2. Significant accounting policies	5
3. Significant accounting judgements, estimates and assumptions	11
4. New standards and interpretations not yet adopted	12
5. Fund management activities	13
6. Commission, bank and similar charges	13
7. Administrative expenses	13
8. Income tax	13
9. Cash and cash equivalents	14
10. Financial instruments at fair value through profit or loss	14
11. Other assets	15
12. Share capital	15
13. Related parties transactions	15
13. Related parties transactions (continued)	16
14. Risk management	16
15. Fair values of financial instruments	21
16. Maturity analysis of assets and liabilities	21
17. Contingencies	22

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 2022, 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022 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), 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.

Other matter

The Company's financial statements for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified audit opinion on those statements on 29 April 2022.

Responsibilities of management and those charged with governance for the financial statements

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

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 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.

Ernst & Young CJSC
Yerevan, Armenia

General Director
Partner (Assurance)



Eric Hayrapetyan

Responsible Auditor

Armine Voskanyan

August 23, 2023

Statement of financial position**As at December 31, 2022***In thousands of Armenian Drams unless otherwise stated*

	Notes	December 31, 2022	December 31, 2021
Assets			
Cash and cash equivalents	9	5,971	17,378
Financial assets at fair value through profit or loss	10	438,827	405,260
Property, equipment and intangibles		268	421
Deferred tax assets	8	616	554
Other assets	11	6,896	8,147
Total assets		<u>452,578</u>	<u>431,760</u>
Equity and liabilities			
Capital and reserves			
Share capital	12	30,000	30,000
Share premium		30,000	30,000
Statutory general reserve		4,500	4,500
Retained earnings		372,736	354,313
Total equity		<u>437,236</u>	<u>418,813</u>
Liabilities			
Payables and accrued expenses		5,662	3,440
Current income tax liability		9,680	9,507
Total liabilities		<u>15,342</u>	<u>12,947</u>
Total equity and liabilities		<u>452,578</u>	<u>431,760</u>

The financial statements were approved and signed on August 23, 2023 by the Management:



 Marine Zakharyan
 Chief Executive Officer

August 23, 2023
 Yerevan, Republic of Armenia





 Hayk Manaselyan
 Chief Accountant

The notes on pages 5 – 22 form an integral part of these financial statements.

Statement of profit or loss and other comprehensive income**For the year ended December 31, 2022***In thousands of Armenian Drams unless otherwise stated*

	Notes	2022	2021
Fund management activities			
Revenue	5	107,376	101,144
Financial loss			
Net loss on financial assets at fair value through profit or loss	10	(34,666)	(6,262)
Interest income		4	2
Commission, bank and similar charges	6	(3,831)	(1,264)
(Charge)/recovery of loss allowance		(20)	78
Foreign exchange gain		19	171
Other income		60	90
Net financial loss		(38,434)	(7,185)
Administrative expenses	7	(38,639)	(30,838)
Profit before tax		30,303	63,121
Income tax expense	8	(11,880)	(12,459)
Total profit and comprehensive income for the year		18,423	50,662

The notes on pages 5 – 22 form an integral part of these financial statements.

Statement of changes in equity**For the year ended December 31, 2022***In thousands of Armenian Drams unless otherwise stated*

	Notes	Share capital	Share premium	Statutory general reserve	Retained earnings	Total
Balance at January 1, 2021		<u>30,000</u>	<u>30,000</u>	<u>4,500</u>	<u>303,651</u>	<u>368,151</u>
Total profit and comprehensive income for the year		-	-	-	50,662	50,662
Balance at December 31, 2021		<u>30,000</u>	<u>30,000</u>	<u>4,500</u>	<u>354,313</u>	<u>418,813</u>
Total profit and comprehensive income for the year		-	-	-	18,423	18,423
Balance at December 31, 2022		<u><u>30,000</u></u>	<u><u>30,000</u></u>	<u><u>4,500</u></u>	<u><u>372,736</u></u>	<u><u>437,236</u></u>

The notes on pages 5 – 22 form an integral part of these financial statements.

Statement of cash flows**For the year ended December 31, 2022***In thousands of Armenian Drams unless otherwise stated*

	Notes	2022	2021
Cash flows from operating activities			
Fund management fees received		108,487	101,164
Interest received		4	2
Other income received		72	108
Commission expense paid		(3,324)	(63)
Net purchase of financial assets at fair value through profit or loss		(68,232)	(115,322)
Salaries and related expenses paid, excluding personal income tax		(21,436)	(19,319)
Payments for taxes other than on income		(6,722)	(7,198)
Prepayments and administrative expenses paid		(8,492)	(3,395)
Income taxes paid		(11,766)	(29,523)
Net cash used in operating activities		(11,409)	(73,546)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		17,457	90,833
Effect of exchange rate fluctuations on cash and cash equivalents		19	170
Cash and cash equivalents at end of the year	9	6,067	17,457

The notes on pages 5 – 22 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 EUROBONDS FUND.

The Company’s ownership structure is presented in Note 13. The Company had 3 employees as at December 31, 2022 (2021: 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.

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 16.

In thousands of Armenian Drams unless otherwise stated

2. Significant accounting policies (continued)

b. Basis of preparation (continued)

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Closing exchange rates – AMD		
1 U.S. Dollar (“USD”)	393.57	480.14
1 Euro	420.06	542.61

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.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets. All financial assets are recognized and derecognized on a trade 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.

Debt instruments at amortized cost or at FVTOCI. The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company’s business model for managing the asset.

In thousands of Armenian Drams unless otherwise stated

2. Significant accounting policies (continued)

Offsetting (continued)

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Company determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Company primarily relies on one business model for managing its financial instruments which reflect how the Company manages its financial assets in order to generate cash flows. The Company's business models are determined based on whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Company considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios.

At initial recognition of a financial asset, the Company determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model.

Financial liabilities. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities. Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

Derecognition of financial liabilities. The Company derecognizes financial liabilities when, and only when, the Company obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Interest income and expense recognition. Interest income and expense for financial instruments are recognized in as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts.

In thousands of Armenian Drams unless otherwise stated

2. Significant accounting policies (continued)

Offsetting (continued)

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortized cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

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 more than five years or for investors who have redeemed their investments from the funds. The bonus is calculated as a multiple of units held or redeemed and the positive difference between the fair values at the moment of bonus accrual and the fair values at the last assessment date (which represents either the fund issuance date or the last date when the performance bonus was accrued) increased at expected rate of return for the period (specified in the fund rules). High performance bonus is an additional financial incentive given to the Company for achieving higher than expected increase in fair value of net assets.

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 trade date (date securities are purchased or sold). 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.

In thousands of Armenian Drams unless otherwise stated

2. Significant accounting policies (continued)

Foreign currency (continued)

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.

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

In thousands of Armenian Drams unless otherwise stated

2. Significant accounting policies (continued)

Leases - the Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- ▶ Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- ▶ Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- ▶ The amount expected to be payable by the lessee under residual value guarantees;
- ▶ The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- ▶ Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- ▶ The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- ▶ The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- ▶ A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

In thousands of Armenian Drams unless otherwise stated

2. Significant accounting policies (continued)

Leases - the Company as lessee (continued)

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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 12.5% to 16.9% as at 31 December 2022, 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 extent 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.

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 14*.

In thousands of Armenian Drams unless otherwise stated

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.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- ▶ What is meant by a right to defer settlement;
- ▶ That a right to defer must exist at the end of the reporting period;
- ▶ That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- ▶ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides 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.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

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

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Company is currently assessing the impact of the amendments.

In thousands of Armenian Drams unless otherwise stated

5. Fund management activities

	<u>2022</u>	<u>2021</u>
Investment management fees from funds	92,341	92,530
High performance bonus from fundholders	15,035	8,614
Total commission, bank and similar charges	<u>107,376</u>	<u>101,144</u>

During the reporting period the Company's fund management activities included management of three 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.

6. Commission, bank and similar charges

	<u>2022</u>	<u>2021</u>
Fees for registration of new funds	2,880	–
Other	951	1,264
Total commission, bank and similar charges	<u>3,831</u>	<u>1,264</u>

7. Administrative expenses

	<u>2022</u>	<u>2021</u>
Employee compensation	30,242	27,239
Short term leases	4,709	1,279
Representative expenses	1,745	529
Professional services	1,200	834
Taxes other than on income	160	598
Depreciation and amortization	152	152
Communication, connection charges and expenses	–	103
Other	431	104
Total administrative expenses	<u>38,639</u>	<u>30,838</u>

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.

8. Income tax

	<u>2022</u>	<u>2021</u>
Current income tax expense	11,942	12,602
Deferred tax benefit	(62)	(143)
Total income tax expense	<u>11,880</u>	<u>12,459</u>

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.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2022 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

In thousands of Armenian Drams unless otherwise stated

8. 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 (2021: 18%).

	2022		2021	
Profit before tax	30,303		63,121	
Tax at the statutory tax rate	5,454	18.0%	11,362	18.0%
Net loss/(gain) on financial assets at FVTPL	6,241	20.6%	939	1.5%
Net non-deductible expense	184	0.6%	158	0.3%
Income tax expense	11,880	39.2%	12,459	19.7%

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

	January 1, 2021	Recognized in profit or loss	December 31, 2021	Recognized in profit or loss	December 31, 2022
Deferred tax assets					
Payables and accrued expenses	383	157	540	58	598
Provision of impairment of financial assets	28	(14)	14	4	18
Total deferred tax assets	411	143	554	62	616

9. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Current accounts	6,067	17,457
Less: allowance for impairment losses	(96)	(79)
Total cash and cash equivalents	5,971	17,378

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:

	2022		2021	
	Stage 1	Total	Stage 1	Total
Impairment loss allowance at January 1	79	79	157	157
(Decrease)/increase in loss allowance during the year	17	17	(78)	(78)
Impairment loss allowance at December 31	96	96	79	79

10. Financial instruments at fair value through profit or loss

	December 31, 2022	December 31, 2021
Units held in GLOCAL PROFIX AMD FUND	279,893	292,059
Units held in GLOCAL PROFIX USD FUND	124,604	113,201
Units held in GLOCAL EURO BONDS FUND	34,330	-
Total financial assets at fair value through profit or loss	438,827	405,260

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

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

In 2022, the net loss from financial assets at fair value through profit or loss amounted to a loss of AMD 34,666 thousand (2021: a loss of AMD 6,262 thousand). The net gain or loss includes changes due to currency and fair value fluctuations arising from units held in funds under management.

11. Other assets

	December 31, 2022	December 31, 2021
Financial other assets		
Investment management fees receivable	6,864	7,975
Less: allowance for impairment loss	(5)	(2)
Total financial other assets	6,859	7,973
Non-financial other assets		
Prepayments	37	124
Other	–	50
Total non-financial other assets	37	174
Total other assets	6,896	8,147

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.

12. 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, 2022 and 2021 the paid in capital comprised of 30,000 ordinary shares of nominal value of AMD 1,000 each. As of December 31, 2022 and 2021 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.

13. 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, 2022 and 2021 is represented by:

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

The ultimate controlling party of the Company is Mr. Aram Kayfajyan.

In thousands of Armenian Drams unless otherwise stated

13. 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, 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)
	December 31, 2021	
	Shareholders exercising significant influence	Key management personnel
Statement of profit or loss and other comprehensive income		
Management compensation, included in administrative expenses	–	(11,400)
Commission, bank and similar charges	(84)	–
Short term leases	(1,279)	–
Statement of financial position		
Payables and accrued expenses	(440)	–

14. 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

14. 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, 2022 and December 31, 2021 credit risk exposure of financial assets is presented in the table below:

	December 31, 2022	December 31, 2021	Country	Credit rating at December 31, 2022
Cash and cash equivalents	5,971	17,378	Armenia	Ba3 to B2
Financial assets at fair value through profit or loss	438,827	405,260	Armenia	Unrated
Other financial assets	6,859	7,973	Armenia	Unrated
	<u>451,657</u>	<u>430,611</u>		

As at December 31, 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, 2022 and as at December 31, 2021 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

14. Risk management (continued)

a. Financial risk management (continued)

	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	-	-	-
	December 31, 2021				
	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	17,378	17,378	-	-	-
Financial assets at fair value through profit or loss	405,260	405,260	-	-	-
Other financial assets	7,973	7,973	-	-	-
Total financial assets	430,611	430,611	-	-	-
Financial liabilities					
Other financial payables	442	442	-	-	-
Total financial liabilities	442	442	-	-	-
Net liquidity position	430,169	430,169	-	-	-

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

14. 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, 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
	December 31, 2021		
	Armenian Drams	US Dollars	Total
Financial assets			
Cash and cash equivalents	17,378	–	17,378
Financial assets at fair value through profit or loss	292,059	113,201	405,260
Other financial assets	7,973	–	7,973
Total financial assets	317,410	113,201	430,611
Financial liabilities			
Payables	442	–	442
Total financial liabilities	442	–	442
Net position	316,968	113,201	430,169

Amounts presented above under USD exposure represent investments in GLOCAL PROFIX USD FUND and GLOCAL EUROBONDS 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 2022 and 2021 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 % 2022	Effect on profit before tax 2022	Change in currency rate in % 2021	Effect on profit before tax 2021
Currency				
USD	12.6%	20,026	5.0%	5,660
	-12.6%	(20,026)	-5.0%	(5,660)

In thousands of Armenian Drams unless otherwise stated

14. 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 net asset values had been 5% higher (lower) profit for 2022 year would increase (decrease) by AMD 21,941 thousand (2021: AMD 20,263 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. As investment adviser 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

15. 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.

Financial assets/ financial liabilities	Fair value at December 31,		Fair value hierarchy	Valuation technique (s) and key input(s)
	2022	2021		
Financial assets at fair value through profit or loss:				
Units in funds under management	438,827	405,260	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 from level 1 to level 2 in either direction.

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.

16. 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. See Note 12 Risk management for the Company's contractual undiscounted repayment obligations.

	2022			2021		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Cash and cash equivalents	17,378	-	5,971	17,378	-	17,378
Financial assets at fair value through profit or loss	438,827	-	438,827	405,260	-	405,260
Property, equipment and intangible assets	-	268	268	-	421	421
Deferred tax assets	-	616	616	-	554	554
Other assets	6,896	-	6,896	8,147	-	8,147
	463,101	884	452,578	430,785	975	431,760
Payables and accrued expenses	5,662	-	5,662	3,440	-	3,440
Current income tax liabilities	9,680	-	9,680	9,507	-	9,507
	15,342	-	15,342	12,947	-	12,947

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

17. 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.