GLOCAL PROFIX USD FUND

Financial statements

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

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Independent auditor's report

To the Unitholders of GLOCAL PROFIX USD FUND:

Opinion

We have audited the financial statements of Glocal PROFIX USD Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in net assets 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 Fund 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 Fund 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 Fund'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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 Fund'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 Fund'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 Fund 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	5	1,880	3,153
Financial assets at fair value through profit or loss			
- Held by the Fund	6	643,291	883,538
- Pledged under repurchase agreements	6	1,586,879	2,227,269
Total assets		**2,232,050**	**3,113,960**
Liabilities			
Repurchase agreements	7	1,491,405	2,076,377
Income tax payable		12	34
Other payables		2,750	1,891
Total liabilities (excluding net assets attributable to unitholders)		**1,494,167**	**2,078,302**
Net assets attributable to unitholders equivalent to 7,272.72 dram per unit based on 101,459 units outstanding (December 31, 2021: 7,936.02 dram per unit based on 130,501 units outstanding)	8	**737,883**	**1,035,658**

The financial statements were authorized for issue on August 22, 2023 by the Management:

Marine Zakharyan
Chief Executive Officer

Hayk Manaselyan
Chief Accountant

August 23, 2023
Yerevan, Republic of Armenia

The notes on pages 5 – 20 form an integral part of these financial statements.

Statement of comprehensive income

For the year ended December 31, 2022

In thousands of Armenian Drams unless otherwise stated

	Notes	2022	2021
Net (loss)/gain from financial assets at fair value through profit or loss	6	(301,927)	5,299
Interest expense	9	(47,997)	(57,954)
Other income		−	186
Foreign exchange gain from operations	10	296,556	137,333
Investment management fees	11	(15,187)	(9,408)
Commission expense		(7,556)	(4,871)
Custodian fees		(113)	(8)
Net (charge)/recovery of impairment loss allowance		(16)	4
Other expenses		(1,399)	(1,001)
Operating (loss)/income		**(77,639)**	**69,580**
Income tax expense	2	(88)	(94)
Total comprehensive (loss)/income for the year		**(77,727)**	**69,486**
(Decrease)/increase in net assets attributable to unitholders		**(77,727)**	**69,486**

The notes on pages 5 − 20 form an integral part of these financial statements.

Statement of changes in net assets

For the year ended December 31, 2022

In thousands of Armenian Drams unless otherwise stated

	Notes	Net assets attributable to unitholders
Balance at January 1, 2021		**819,243**
Issuance and redemptions by unitholders:		
Issue of units		155,359
Redemption of units		(8,430)
Net increase from unit transactions		**146,929**
Decrease in net assets attributable to unitholders for the year		**69,486**
Balance at December 31, 2021		**1,035,658**
Issuance and redemptions by unitholders:		
Issue of units	8	114,819
Redemption of units	8	(334,867)
Net decrease from unit transactions		**(220,048)**
Decrease in net assets attributable to unitholders for the year		**(77,727)**
Balance at December 31, 2022	8	**737,883**

The notes on pages 5 − 20 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			
Interest received		145,756	152,284
Interest paid		(48,034)	(57,475)
Purchase of financial assets at fair value through profit or loss		(3,808,519)	(2,362,184)
Proceeds from sale and redemption of financial assets at fair value through profit or loss		4,242,260	1,203,325
Investment management fees paid		(14,854)	(9,210)
Operating expenses paid		(8,540)	(5,168)
Income tax paid		(110)	(68)
Changes in operating assets and liabilities			
Net (decrease)/increase in repurchase agreements		(584,671)	930,252
Net cash from/(used in) operating activities		**(76,712)**	**(148,244)**
Cash flows from financing activities			
Proceeds from issue of units	8	114,819	155,359
Payments on redemptions of units	8	(334,867)	(8,430)
Net cash (used in)/from financing activities		**(220,048)**	**146,929**
Net decrease in cash and cash equivalents		**(296,760)**	**(1,315)**
Cash and cash equivalents at beginning of the year		**3,168**	**4,533**
Effect of exchange rate fluctuations on cash and cash equivalents		295,502	(50)
Cash and cash equivalents at the end of the year	5	**1,910**	**3,168**

The notes on pages 5 − 20 form an integral part of these financial statements.

In thousands of Armenian Drams unless otherwise stated

1. Reporting entity

GLOCAL PROFIX USD FUND (the Fund) is a fixed income, non−public, open−ended fund. The Fund is an investment fund incorporated in the Republic of Armenia (RA). The Fund was incorporated on September 1, 2017 for an unlimited duration as an open−ended investment fund under the laws of RA. The Fund was registered by Resolution No. 183A dated 18 August 2017 of the Central Bank of Armenia (CBA).

The Fund's Manager's registered office is Hanrapetutyun Street 39, 0010, Yerevan, Republic of Armenia.

The investment objective of GLOCAL PROFIX USD FUND is to generate attractive total return through leveraging portfolio's assets through short−term borrowings at relatively lower rates and investing the proceeds mainly in corporate bonds denominated in USD. The Fund's strategy involves increasing portfolio's total assets by borrowing short−term funds at relatively lower rates and investing them in high yield medium / long−term assets. Portfolio assets are refinanced through repurchase agreements primarily with Armenian commercial banks. The Fund has access to short−term funds at reasonable rates and benefits from the favorable tax legislation governing the investment and asset management activity in Armenia.

The Fund's units are redeemable at the holder's option. The units cannot be traded on the stock exchange.

The Fund's investment activities are managed by “GLOCAL” CJSC (the Manager) which was founded on February 20, 2017. The Manager is responsible for the administration of the Fund, management of investments and participant recordkeeping. The Manager has appointed Armbrok Investment Company as the unit custodian.
The Manager is an investee of Armbrok Investment Company OJSC, an investment company whose ultimate controlling party is Mr. Aram Kayfajyan.

Business environment

Government regulators oversee the conduct of the Fund's and the Manager's business in many ways, and may perform regular examinations to monitor compliance with applicable statutes, regulations and rules. These statutes, regulations and rules cover all aspects of the business, including sales and marketing activities, trading practices, treatment of customer assets, continuing education requirements for employees, anti-money laundering practices, know your client policies, recordkeeping and reporting, and supervision regarding the conduct of directors, officers and employees.

2. Significant accounting policies

a. Statement of compliance

The financial statements of the Fund 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 Fund 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 Fund 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 Fund maintains its accounting records in accordance with the laws applicable in RA. These financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The Fund 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 14.

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

	December 31, 2022	December 31, 2021
Closing exchange rates – AMD		
1 U.S. Dollar ("USD")	393.57	480.14

Interest income and expense recognition

Interest income and expense for financial instruments are recognized in 'Net interest income' 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.

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 includes 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.

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.

In thousands of Armenian Drams unless otherwise stated

2. Significant accounting policies (continued)

Financial assets (continued)

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 Fund assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Fund's business model for managing the asset.

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 Fund determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Fund'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 Fund has one business model for managing its financial instruments, which reflect how the Fund manages its financial assets in order to generate cash flows. The Fund's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

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

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

Impairment. The Fund recognizes loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Cash balances and term deposits;
- ECLs are required to be measured through a loss allowance at an amount equal to:
  - 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
  - Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

In thousands of Armenian Drams unless otherwise stated

2. Significant accounting policies (continued)

Financial assets (continued)

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Fund under the contract and the cash flows that the Fund expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

Modification and derecognition of financial assets. A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

Presentation of allowance for ECL in the statement of financial position. Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets;

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 Fund derecognizes financial liabilities when, and only when, the Fund 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.

Securities repurchase and reverse repurchase agreements

In the normal course of business, the Fund enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos"). Repos and reverse repos are utilized by the Fund as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the financial statements and consideration received under these agreements is recorded as collateralized deposit received within depositary instruments with banks.

The Fund enters into securities repurchase agreements under which it receives or transfers collateral in accordance with normal market practice. The transfer of securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

Tax

Under present law governing the Investment Fund in Armenia, the Fund is not subject to tax on income, profits or capital gains or other taxes payable. The Fund is taxed at 0.01% based on total net assets annually.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund 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.

In thousands of Armenian Drams unless otherwise stated

2. Significant accounting policies (continued)

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 recognised as a component of net gain or loss from financial instruments at fair value through profit or loss.

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.

In the statement of comprehensive income net gain from financial instruments at fair value through profit or loss includes all realized and unrealized fair value changes and foreign exchange differences, also includes interest income.

Expenses

All expenses, proper charges and disbursements of the Manager in the performance of its duties under the Fund Rules may be charged to the Fund.

The investment management fees charges are discussed in Note 11.

Redeemable units and net assets attributable to holders of redeemable units

The Fund has one class of units in issue, which is subordinate to the Fund's liabilities and rank pari passu in all material respects and have the same terms and conditions. Redeemable shares can be put back to the fund at any time for cash equal to a proportionate share of the Fund's net asset value attributable to the unit. The redeemable shares are classified as equity and are measured at the redemption amounts.

Redeemable units are issued and redeemed based on the Fund's net asset value per unit, calculated by dividing the net assets of the Fund, calculated in accordance with Fund's rules (which are in line with IFRS), by the number of redeemable units in issue. All proceeds and payments for units issued and redeemed are shown as movements in the statement of changes in net assets attributable to unitholders.

The net asset value of the Fund is determined as of the time established in the Offering Documents relating to the particular Fund on each Business Day (the "Valuation Date"). The issue and redemption of units is denominated in AMD.

Distribution to unitholders

It is the intention of the Manager that Fund income shall not be distributed to unitholders but shall be re-invested in the Fund.

3. Use of estimates and judgments

The preparation of the Fund'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.

In thousands of Armenian Drams unless otherwise stated

3. Use of estimates and judgements (continued)

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 Fund 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 Fund. 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 is price quotations in an active market. In the absence of quoted prices in an active market, the Management uses other evaluation techniques, such as the comparative approach with similar instruments both in the internal and external markets. See *Notes 13.*

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 Fund's financial statements are disclosed below. The Fund 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 Fund 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 Fund'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 Fund is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

In thousands of Armenian Drams unless otherwise stated

5. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Current accounts	1,910	3,168
Less: allowance for impairment losses	(30)	(15)
Total cash and cash equivalents	**1,880**	**3,153**

Cash and cash equivalents are held with four financial institution representing 0.25% (December 31, 2021: three financial institutions, 0.30%) concentration.

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	**15**	**15**	**16**	**16**
Increase in loss allowance during the year	15	15	(1)	(1)
Impairment loss allowance at December 31	**30**	**30**	**15**	**15**

6. Financial assets at fair value through profit or loss

	December 31, 2022	December 31, 2021
- Corporate debt instruments – Armenian financial sector	1,648,261	2,907,236
- Corporate debt instruments – other sectors	–	203,571
- Government bonds of Republic of Armenia	581,909	–
Total financial assets at fair value through profit or loss – 302.24% of net assets (December 31, 2021: 300.37% of net assets)	**2,230,170**	**3,110,807**
Repurchase agreements – (202.12% of net assets) (December 31, 2021: (200.49% of net assets))	(1,491,405)	(2,076,377)
Other (liabilities)/assets in excess of assets/(liabilities) other than above presented — −0.12% of net assets (December 31, 2021: 0.12% of net assets)	(882)	1,228
Net assets—100.0%	**737,883**	**1,035,658**

The net loss from financial assets at fair value through profit and loss for 2022 amounted to AMD 301,927 thousand (2021: net gain of AMD 5,299 thousand), which includes interest income from the investment securities as well as realised and unrealised loss from securities.

Pledged assets are discussed in Note 7.

7. Repurchase agreements

The Fund has transactions under repurchase or reverse repurchase agreements. The securities lent or sold under repurchase agreements are transferred to a third party in exchange for cash received by the Fund. These financial assets may be re-pledged or resold by counterparties in the absence of default by the Fund, but the counterparty has an obligation to return the securities at the maturity of the contract. The Fund has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

At December 31, 2022 the Fund’s liabilities for repurchase agreements signed with entities in financial services sector amounted to AMD 1,491,405 thousand (December 31, 2021: AMD 2,076,377 thousand), including accrued interest of AMD 1,200 thousand (December 31, 2021: AMD 1,501 thousand). As at December 31, 2022 the fair value of financial assets, represented by local corporate bonds and Armenian government eurobonds, given as collateral against these liabilities amounted to AMD 1,586,879 thousand (December 31, 2021: AMD 2,227,269 thousand).

In thousands of Armenian Drams unless otherwise stated

8. Net assets attributable to unitholders

The analysis of movements in the number of units and net assets attributable to unitholders was as follows:

	2022		2021	
	Number of units		Number of units	
Balance at the beginning of the year	130,501	1,035,658	111,498	819,243
Issue of units during the year	16,349	114,819	20,039	155,359
Redemption of units during the year	(45,391)	(334,867)	(1,036)	(8,430)
Decrease in net assets attributable to unitholders	–	(77,727)	–	69,486
Balance at December 31	**101,459**	**737,883**	**130,501**	**1,035,658**
Net assets value per unit (in dram)		**7,272.72**		**7,936.02**

Unit purchases, redemptions and distributions

Units in the Fund are offered at their net asset value per Unit (“NAV”) on each business day. A business day shall mean a day on which the Armenian Stock Exchange is open. Units are redeemed at the NAV as of the relevant NAV Determination Time. Investment income earned by the Fund is accumulated and reinvested in the Fund and included in the determination of unit values.

Net assets attributable to unitholders are carried at the redemption amount (excluding commission or other unitholder fees) that would be payable at the statement of financial position date if the unitholders exercised the right to redeem the units.

The NAV, representing the difference between Fund’s total assets and liabilities divided by number of outstanding units, is calculated and published daily.

In relation to net assets attributable to unitholders as at December 31, 2022, unitholders have the right to request on any business day the redemption of units held. The Fund is obligated to fulfil such request within 3 days. The redemption fees equal to 2%, 1% and nil if units are held for less than one year, between 1 to 2 years and more than 2 years, respectively.

9. Interest expense

	2022	2021
Repurchase agreements	(47,997)	(57,954)
Total interest expense	**(47,997)**	**(57,954)**

10. Foreign exchange gain from operations

	2022	2021
(Loss)/gain from foreign exchange revaluation	296,540	137,367
(Loss)/gain from foreign exchange purchase transactions	16	(34)
	296,556	**137,333**

11. Transactions with the manager and related parties

a. Management fee

The Manager is entitled to receive a management fee of 2% per annum of the net asset value of the Fund, calculated and accrued on each dealing day and payable monthly in arrears. In addition, the Manager is entitled to a high performance bonus receivable from unitholder on redemption of units and after each fifth year since units’ purchase by Fund’s participants. The bonus is calculated based on net asset value at issue, net asset value at redemption/at completion of fifth year since the issue/last bonus accrual date and number of days between purchase of units by Fund participants and the day of calculation of the bonus. The detailed calculation of the bonus is described in the Fund rules. Management fee charged for the year was AMD 15,187 thousand (2021: AMD 9,408 thousand) of which AMD 1,221 thousand was outstanding at December 31, 2022 (December 31, 2021: AMD 889 thousand).

In thousands of Armenian Drams unless otherwise stated

11. Transactions with the manager and related parties (continued)

b. Manager participation in the Fund

As at December 31, 2022 the Manager owned 17,132 units (December 31, 2021: 14,263 units) in the Fund representing 16.89% of total units outstanding as at that date (December 31, 2021: 10.93%).

As at December 31, 2022 and 2021 the ownership of other related parties is presented in the table below:

	December 31, 2022		December 31, 2021	
	Number of units	**%**	**Number of units**	**%**
Mr. Ashot Chagharyan	12,953	12.77%	13,033	9.99%
Mr. Aram Kayfajyan	6,518	6.42%	3,788	2.90%
Armbrok OJSC	4,960	4.89%	5,000	3.83%
	24,431	24.08%	**21,821**	**16.72%**
Total units of the Fund	**101,459**	**100.00%**	**130,501**	**100.00%**

c. Investments in other Funds

As at December 31, 2022 and as at December 31, 2021 the Fund did not hold investments in other funds managed by the Manager.

12. Risk management

The Fund'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 Manager and the Fund. This note presents information about the Fund's exposure to these risks, its objectives, policies and processes for measuring and managing risks.

The Manager takes an active role in the risk management process. Oversight of risk management is delegated to the Executive body of the Manager, 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 Fund 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 Manager's business. Consequently, despite efforts to identify areas of risk and implement risk management policies and procedures, there can be no assurance that the Manager and the Fund will not suffer unexpected losses due to operating or other risks.

a. Financial risk management

Financial risks are risks arising from financial instruments to which the Fund 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.

The Fund may maintain positions in a variety of derivative and non-derivative financial instruments in accordance with its investment management strategy. The Fund's rules detail its investment policy and guidelines that encompass its overall investment strategy, tolerance to risk and its general risk management philosophy.

In thousands of Armenian Drams unless otherwise stated

12. Risk management (continued)

a. Financial risk management (continued)

Credit risk

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

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 Fund bears credit risk primarily on investing activities and bank balances. The Fund seeks to control its credit risks by applying monitored investment strategy as well as sound selecting of servicing banking partners. For secured transactions involving repurchase and resale agreements the Fund 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 Manager has responsibility for the oversight of credit risk and is responsible for management of the Fund'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 assets is presented in the table below:

	December 31, 2022 Carrying amount	December 31, 2021 Carrying amount	Country	December 31, 2022 Credit rating
Assets				
Cash and cash equivalents	1,880	3,153	Armenia	Ba3, Unrated
Financial assets at fair value through profit or loss:				
Corporate bonds	1,648,261	3,110,807	Armenia	B1−B2, Unrated
Government bonds of Republic of Armenia bonds	581,909	–	Armenia	Ba3*
	2,232,050	**3,113,960**		

* The above rating represents Armenia country rating per Moody's.

Cash and cash equivalents are held with thirteen financial institutions representing 0.25% concentration in relation to net assets as at reporting date. Financial performance of the banks is monitored on a quarterly or more frequent basis, as required, as part of Manager's financial risk management procedures.

As at December 31, 2022 and December 31, 2021 all the financial assets and liabilities are with counterparties within RA, further the investment portfolio represents Republic of Armenia bonds. Political unrest in Armenia, stabilization of the economic and political situation depends, to a large extent, upon success of the Armenian Government's efforts, yet further economic and political developments, as well as the impact of these factors on the Fund and its investment portfolio are currently difficult to predict. The Fund's assets can be adversely affected by the deterioration in credit markets, reductions in short-term interest rates and decreases in securities valuations.

As at December 31, 2022 none of the financial assets are past due or impaired. As at December 31, 2022 none of the financial assets are past due or impaired. A reconciliation of the provision for impairment of cash and cash equivalents for the year ended 31 December 2022 is shown in Note 5.

Liquidity risk

Liquidity risk is the risk that the Fund 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, levels of unit subscription and redemption. The combination of these factors can cause significant fluctuations in the cash position during specific time periods.

In thousands of Armenian Drams unless otherwise stated

12. Risk management (continued)

a. Financial risk management (continued)

The Fund's policy and the investment manager's approach 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, including estimated redemptions of units, without incurring unacceptable losses or risking damage to the Fund's reputation.

According to its rules the Fund is obligated to redeem units (in cases set forth by law) within three days after receiving the corresponding notice. Accordingly, the Fund is exposed to daily calls on its units outstanding. Consequently, for managing liquidity the Fund takes into account already received and expected unit redemption notices.

The Fund does not maintain cash resources to meet all of these needs as experience shows that the level of redemptions can be predicted with a reasonable level of predictability and management believes that the Fund's assets are highly liquid and can be sold on demand to meet cash outflows on financial liabilities.

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. Management holds financial assets at fair value through profit or loss that are liquid and can be used to meet outflows of financial liabilities and unit redemptions.

	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	1,880	1,880	–	–	–
Financial assets at fair value through profit or loss	**2,230,170**	**2,230,170**	–	–	–
Total financial assets	**2,232,050**	**2,232,050**	**–**	**–**	**–**
Financial liabilities					
Repurchase agreements	1,491,405	1,491,405	–	–	–
Other payables	2,750	1,550	1,200	–	–
Total financial liabilities	**1,494,155**	**1,492,955**	**1,200**	**–**	**–**
Net liquidity position	**737,895**	**739,095**	**(1,200)**	**–**	**–**

	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	3,153	3,153	–	–	–
Financial assets at fair value through profit or loss	3,110,807	3,110,807	–	–	–
Total financial assets	**3,113,960**	**3,113,960**	**–**	**–**	**–**
Financial liabilities					
Repurchase agreements	2,076,377	2,076,377	–	–	–
Other payables	1,891	890	1,001	–	–
Total financial liabilities	**2,078,268**	**2,077,267**	**1,001**	**–**	**–**
Net liquidity position	**1,035,692**	**1,036,693**	**(1,001)**	**–**	**–**

In thousands of Armenian Drams unless otherwise stated

12. Risk management (continued)

a. Financial risk management (continued)

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 Fund'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 Fund manager manages its investment inventory by product type and on a daily basis.

Interest rate risk

The Fund is 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. Nevertheless, the impact of interest rate risk can be high due to fluctuations in the prevailing levels of market interest rates. Interest-earning assets are financed primarily by subscriptions into the Fund, which represent non-interest-bearing funding sources. Interest income is affected by changes in the volume and mix of these assets as well as by fluctuations in interest rates and portfolio management strategies. When interest rates fall, the Manager may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields. A summary of the interest rate gap position for financial instruments at December 31, 2022 and 2021 is as follows:

	December 31, 2022					
			Interest bearing			
	Carrying amount	On demand	Less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 years
Financial assets						
Fixed interest rate financial assets						
Cash and cash equivalents	1,880	1,880	–	–	–	–
Financial assets at fair value through profit or loss	2,230,170	–	2,230,170	–	–	–
Total interest bearing financial assets	**2,232,050**	**1,880**	**2,230,170**	**-**		
Financial liabilities						
Fixed interest rate financial liabilities						
Repurchase agreements	1,491,405	–	1,491,405	–	–	–
Total interest bearing financial liabilities	**1,491,405**	**–**	**1,491,405**	**–**	**–**	**–**
Net position	**740,645**	**1,880**	**738,765**	**5,947**	**–**	**–**

In thousands of Armenian Drams unless otherwise stated

12. Risk management (continued)

a. Financial risk management (continued)

	December 31, 2021					
			Interest bearing			
	Carrying amount	**On demand**	**Less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 years**
Financial assets						
Fixed interest rate financial assets						
Cash and cash equivalents	3,153	3,153	–	–	–	–
Financial assets at fair value through profit or loss	3,110,807	–	3,110,807	–	–	–
Total interest bearing financial assets	**3,113,960**	**3,153**	**3,110,807**	**–**	**–**	**–**
Financial liabilities						
Fixed interest rate financial liabilities						
Repurchase agreements	2,076,377	–	2,076,377	–	–	–
	1,891	1,891	–			
Total interest bearing financial liabilities	**2,078,268**	**1,891**	**2,076,377**	**–**	**–**	**–**
Net position	**1,035,692**	**1,262**	**1,034,430**	**–**	**–**	**–**

The table below presents average interest rates on interest bearing instruments based on reports reviewed by the Manager. These interest rates are an approximation of the yields to maturity of these assets.

	December 31, 2022		December 31, 2021	
In % p.a.	**AMD**	**USD**	**AMD**	**USD**
Interest bearing assets	–	5.73%	10.50%	5.46%
Interest bearing liabilities	–	2.57%	8.90%	2.61%

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 Fund. The Manager has a policy to manage Fund's exposure to currency risk in line with the currency diversification rules set in the Fund Rules.

The table below summarizes the exposure to foreign currency exchange rate risk at December 31, 2022 and 2021

	December 31, 2022		
	Armenian Drams	**US Dollars**	**Total**
Financial Assets			
Cash and cash equivalents	508	1,372	**1,880**
Financial assets at fair value through profit or loss	–	2,230,170	**2,230,170**
Total financial assets	**508**	**2,231,542**	**2,232,050**
Financial Liabilities			
Repurchase agreements	–	1,491,405	**1,491,405**
Other liabilities	2,750	–	**2,750**
Total financial liabilities	**2,750**	**1,491,405**	**1,494,155**
Open balance sheet position	**(2,242)**	**740,137**	**737,895**

In thousands of Armenian Drams unless otherwise stated

12. Risk management (continued)

a. Financial risk management (continued)

	December 31, 2021		
	Armenian Drams	**US Dollars**	**Total**
Financial Assets			
Cash and cash equivalents	3,121	32	**3,153**
Financial assets at fair value through profit or loss	102,768	3,008,039	**3,110,807**
Total financial assets	**105,889**	**3,008,071**	**3,113,960**
Financial Liabilities			
Repurchase agreements	97,555	1,978,822	**2,076,377**
Other liabilities	1,891	–	**1,891**
Total financial liabilities	**99,446**	**1,978,822**	**2,078,268**
Open balance sheet position	**6,443**	**1,029,249**	**1,035,692**

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				
	12.6%	93,257	5.0%	51,462
USD	-12.6%	(93,257)	-5.0%	(51,463)

b. Operational risk management

The Fund'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 Fund manager. Fund management process follows general standards, which includes control of business processes.

c. Capital risk management

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions. The Management may redeem and issue new units in accordance with the constitutive documents of the Fund.

d. Non-financial risk management

Technology and operating risk

The Manager, and respectively the Fund, face technology and operating risk, which is the potential for loss due to deficiencies in control processes or technology systems of the Manager, its vendors or its outsourced service providers that constrain the ability to gather, process, and communicate information and process own and unitholder 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 Manager'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 Fund experiences system interruptions, errors or downtime, business and operations could be significantly negatively impacted. To minimize business interruptions, the Fund maintains backup and recovery functions, including facilities for backup and communications, and conducts testing of disaster recovery plans.

In thousands of Armenian Drams unless otherwise stated

12. Risk management (continued)

d. Non-financial risk management (continued)

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 Manager may not be effective in all cases. The Manager and the Fund 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 Fund 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 Fund 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.

13. Fair values of financial instruments

The Fund provides an analysis of its assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These Levels are described below:

- ► Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ► Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- ► Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) Financial instruments that are not measured at fair value

Cash and cash equivalents, term deposits, repurchase agreements and other 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.

(b) Financial instruments that are measured at fair value

As of 31 December 2022

'000 AMD	*Level 1*	*Level 2*	*Level 3*	*Total fair values*
Financial assets at fair value through profit or loss	–	2,230,170	–	2,230,170

As of 31 December 2021

'000 AMD	*Level 1*	*Level 2*	*Level 3*	*Total fair values*
Financial assets				
Financial assets at fair value through profit or	–	3,110,807	–	3,110,807

Armenian government securities are classified as level 2 as they have been valued using market quoted prices and discounted cash flow techniques at a rate that reflects market yield of specific time to maturity. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

In thousands of Armenian Drams unless otherwise stated

14. 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.

	2022			*2021*		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Cash and cash equivalents	1,880	–	1,880	3,153	–	3,153
Financial assets at fair value through profit or loss	2,230,170	–	2,230,170	3,110,807	–	3,110,807
	2,232,050	**–**	**2,232,050**	**3,113,960**	**–**	**3,113,960**
Repurchase agreements	1,491,405	–	1,491,405	2,076,377	–	2,076,377
Income tax payable	12	–	12	34	–	34
Other payables	2,750	–	2,750	1,891	–	1,891
	1,494,167	**–**	**1,494,167**	**2,078,302**	**–**	**2,078,302**

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

15. 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 Fund 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 Fund property or relating to the Fund operations. Until the Fund 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 Fund's operations and financial position.

(b) Litigation

The Fund does not have litigations that may have a material effect on the Fund'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.