GLOCAL CJSC

Financial Statements and
Independent Auditor’s Report
For the year ended December 31, 2021

Contents

GLOCAL CJSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Management of GLOCAL cjsc is responsible for the preparation of the financial statements that present fairly the financial position of GLOCAL cjsc (the "Company" or "GLOCAL") as of December 31, 2021, and the related statements of profit or loss, comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the financial statements in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with Country legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Company for the year ended December 31, 2021 were approved by management on April 29, 2022:

On behalf of the Management:

Marine Zakharyan Chief Executive Officer	Hayk Manaselyan Chief Accountant

April 29, 2022
Yerevan, Republic of Armenia

“Deloitte Armenia” CJSC
Business Center "Imperium Plaza"
4/7, Amiryan St., 7th floor
Yerevan, 0010, Armenia

Tel: +374 10 52 65 20
Fax: +374 10 52 75 20
www.deloitte.am

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 December 31, 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for year ended December 31, 2021, 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 December 31, 2021, and its financial performance and its cash flows for the year ended December 31, 2021 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’ *Code of Ethics for Professional Accountants* (the “IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

Arpine Ghevondyan
Audit Partner

On behalf of Executive Director S. Hakobyan
(by power of attorney N 24022022 dated 24.02.2022)

April 29, 2022
Yerevan, Republic of Armenia
Deloitte Armenia cjsc

GLOCAL CJSC

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021
In thousands of Armenian Drams unless otherwise stated

	Notes	December 31, 2021	December 31, 2020
Assets			
Cash and cash equivalents	7	17,378	90,676
Financial assets at fair value through profit or loss	8	405,260	296,200
Property, equipment and intangibles		421	573
Deferred tax assets	6	554	411
Other assets	9	8,147	8,950
Total assets		**431,760**	**396,810**
Equity and liabilities			
Capital and reserves	10		
Share capital		30,000	30,000
Share premium		30,000	30,000
Statutory general reserve		4,500	4,500
Retained earnings		354,313	303,651
Total equity		**418,813**	**368,151**
Liabilities			
Payables and accrued expenses		3,440	2,231
Current income tax liability		9,507	26,428
Total liabilities		**12,947**	**28,659**
Total equity and liabilities		**431,760**	**396,810**

The financial statements were authorized for issue on April 29, 2022 by the Management:

Marine Zakharyan
Chief Executive Officer

Hayk Manaselyan
Chief Accountant

April 29, 2022
Yerevan, Republic of Armenia

The notes on pages 8 - 28 form an integral part of these financial statements.

GLOCAL CJSC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
In thousands of Armenian Drams unless otherwise stated

	Notes	2021	2020
Fund management activities			
Revenue	4	101,144	177,301
Financial income			
Net (loss)/gain on financial assets at fair value through profit or loss	8	(6,262)	29,007
Interest income		2	281
Commission, bank and similar charges		(1,264)	(1,990)
Recovery/(charge) of loss allowance	7,9	78	(131)
Foreign exchange gain		171	1,393
Other income		90	-
Net financial income		**(7,185)**	**28,560**
Administrative expenses	5	(30,838)	(23,633)
Profit before tax		**63,121**	**182,228**
Income tax expense	6	(12,459)	(27,785)
Total profit and comprehensive income for the year		**50,662**	**154,443**

The notes on pages 8 - 28 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
In thousands of Armenian Drams unless otherwise stated

	Notes	Share capital	Share premium	Statutory general reserve	Retained earnings	Total
Balance at January 1, 2020		**30,000**	**30,000**	**4,500**	**149,208**	**213,708**
Total profit and comprehensive income for the year		-	-	-	154,443	**154,443**
Balance at December 31, 2020		**30,000**	**30,000**	**4,500**	**303,651**	**368,151**
Total profit and comprehensive income for the year		**-**	**-**	-	50,662	**50,662**
Balance at December 31, 2021		**30,000**	**30,000**	**4,500**	**354,313**	**418,813**

The notes on pages 8 - 28 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
In thousands of Armenian Drams unless otherwise stated

	Notes	December 31, 2021	December 31, 2020
Cash flows from operating activities			
Fund management fees received		101,164	175,784
Interest received		2	281
Other income received		108	-
Commission expense paid		(63)	(784)
Purchase of financial assets at fair value through profit or loss		(115,322)	(125,768)
Sale of financial assets at fair value through profit or loss		-	57,377
Salaries and related expenses paid, excluding personal income tax		(19,319)	(12,699)
Payments for taxes other than on income		(7,198)	(4,950)
Prepayments and administrative expenses paid		(3,395)	(6,119)
Income taxes paid		(29,523)	(8,482)
Net cash (used in)/from operating activities		**(73,546)**	**74,640**
Cash flows from investing activities			
Purchase of property, equipment and intangibles		-	(244)
Net cash used in investing activities		**-**	**(244)**
Net (decrease)/increase in cash and cash equivalents		**(73,546)**	**74,396**
Cash and cash equivalents at beginning of the year		90,833	15,243
Effect of exchange rate fluctuations on cash and cash equivalents		170	1,194
Cash and cash equivalents at end of the year	7	**17,457**	**90,833**

The notes on pages 8 - 28 form an integral part of these financial statements.

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:

- GLOCAL PROFIX AMD FUND
- GLOCAL PROFIX USD FUND

The Company's ownership structure is presented in Note 11. The Company had 3 employees as at December 31, 2021 (2020: 2 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;

In thousands of Armenian Drams unless otherwise stated

- 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 12.

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

	December 31, 2021	December 31, 2020
Closing exchange rates – AMD		
1 U.S. Dollar ("USD")	480.14	522.59

Functional and presentation currency

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

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.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. 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. Fair value measurements are discussed in Note 13.

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.

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 has 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 determine 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.

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

- Cash and cash equivalents;
- Other assets.

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).

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 Company under the contract and the cash flows that the Company 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 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.

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.

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.

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.

Leases

(a) 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.

In thousands of Armenian Drams unless otherwise stated

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.

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 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 a 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.

(b) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

3. ADOPTION OF NEW AND REVISED STANDARDS

NEW AND AMENDED IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR

The following amendments and interpretations are effective for the Company effective 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*	*Effective to the periods beginning on or after 1 January 2021.*
Amendments to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*	*Effective for annual reporting periods beginning on or after 1 April 2021*

The above standards and interpretations were reviewed by the Company's management, but did not have a significant effect on the financial statements of the Company.

In thousands of Armenian Drams unless otherwise stated

NEW AND REVISED IFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

The impact of the application of the new and revised IFRS Standards below is for illustrative purposes only. Entities should analyse the impact of these new or revised IFRS Standards on their financial statements based on their specific facts and circumstances and make appropriate disclosures.

Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	*Effective for annual reporting periods beginning on or after 1 January 2023*
Amendments to IAS 1 (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles)	*Classification of Liabilities as Short-Term or Long-Term*	*Effective for annual reporting periods beginning on or after 1 January 2022*
Amendments to IAS 8	*Definition of Accounting Estimates*	*Effective to the periods beginning on or after 1 January 2023*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*	*Effective to the periods beginning on or after 1 January 2023*
Amendments to IFRS 17, IFRS 4 and IAS 16	*Property and equipment - Proceeds before Intended Use*	*Effective for annual reporting periods beginning on or after 1 January 2022*
Amendments to IAS 37	*Provisions, contingent liabilities and contingent assets - Onerous Contracts – Cost of Fulfilling a Contract*	*Effective for annual reporting periods beginning on or after 1 January 2022*
Amendments to IFRS 1, IFRS 9, IAS 41; and illustrative examples accompanying IFRS 16	*Annual Improvements to IFRS 2018-2020 cycles*	*Effective for annual reporting periods beginning on or after 1 January 2022*
IFRS 17 (including the June 2020 Amendments to IFRS 17)	*Insurance Contracts*	*Effective for annual reporting periods beginning on or after 1 January 2023*
Amendments to IFRS 3	*Reference to the Conceptual Framework*	*Effective for annual reporting periods beginning on or after 1 January 2022*

The management of the Company does not expect that the application of these amendments could have an impact on the Company's financial statements in future periods should such transactions occur.

In thousands of Armenian Drams unless otherwise stated

4. FUND MANAGEMENT ACTIVITIES

	2021	2020
Investment management fees from funds	92,530	103,642
Redemption fee earned	-	33
Management bonus on fund returns	8,614	73,626
	101,144	**177,301**

During the reporting period the Company's fund management activities included management of two 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 unit returns generated during the reporting period. Management fees and bonus fees are governed by the fund rules of the respective funds under management.

5. ADMINISTRATIVE EXPENSES

	2021	2020
Employee compensation	27,239	18,244
Short term leases	1,279	750
Professional services	834	834
Taxes other than on income	598	417
Representative expenses	529	135
Depreciation and amortization	152	152
Communication, connection charges and expenses	103	101
Other	104	-
Donation to Hayastan All Armenian Fund	-	3,000
Total administrative expenses	**30,838**	**23,633**

6. INCOME TAX

	December 31, 2021	December 31, 2020
Current income tax expense	12,602	27,983
Deferred tax benefit	(143)	(198)
Total income tax expense	**12,459**	**27,785**

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, 2021 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.

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 (2020: 18%).

In thousands of Armenian Drams unless otherwise stated

	2021		2020	
Profit before tax	63,121		182,228	
Tax at the statutory tax rate	11,362	18.0%	32,801	18.0%
Net non-deductible expense/(non-taxable income)	158	0.3%	(665)	(0.4%)
Net loss/(gain) on financial assets at FVTPL	939	1.5%	(4,351)	(2.4%)
Income tax expense	**12,459**	**19.7%**	**27,785**	**15.2%**

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

	January 1, 2020	Recognized in profit or loss	December 31, 2020	Recognized in profit or loss	December 31, 2021
Deferred tax assets					
Payables and accrued expenses	208	175	383	157	540
Provision of impairment of financial assets	5	23	28	(14)	14
Total deferred tax assets	**213**	**198**	**411**	**143**	**554**

7. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Current accounts	17,457	90,833
Less: allowance for impairment losses	(79)	(157)
Total cash and cash equivalents	**17,378**	**90,676**

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:

	2021		2020	
	Stage 1	Total	Stage 1	Total
Impairment loss allowance at January 1	**157**	**157**	**27**	**27**
(Decrease)/increase in loss allowance during the year	(78)	**(78)**	130	**130**
Impairment loss allowance at December 31	**79**	**79**	**157**	**157**

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2021	December 31, 2020
Units held in funds under management	405,260	296,200
Total financial assets at fair value through profit or loss	**405,260**	**296,200**

Units in funds represent unit-holdings in GLOCAL PROFIX AMD FUND and GLOCAL PROFIX USD FUND. These units are carried at Company’s share of the net asset value of the funds as at reporting date.

In 2021, the net (loss)/gain from financial assets at fair value through profit or loss amounted to a loss of AMD (6,262) thousand (2020: a gain of AMD 29,007 thousand).The net gain or loss includes changes due to currency and fair value fluctuations arising from units held in funds under management.

In thousands of Armenian Drams unless otherwise stated

9. OTHER ASSETS

	December 31, 2021	December 31, 2020
Financial other assets		
Investment management fees receivable	7,975	7,995
Less: allowance for impairment loss	(2)	(2)
Total financial other assets	**7,973**	**7,993**
Non-financial other assets		
Prepayments	124	701
Other	50	256
Total non-financial other assets	**174**	**957**
Total other assets	**8,147**	**8,950**

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.

10. SHARE CAPITAL

In accordance with the statues, the Company's authorized share capital consists of 980,000 ordinary shares of AMD 1,000. As at December 31, 2021 and 2020 the paid in capital comprised of 30,000 ordinary shares of nominal value of AMD 1,000 each. As of December 31, 2021 and 2020 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.

11. 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, 2021 and 2020 is represented by:

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

In thousands of Armenian Drams unless otherwise stated

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

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

	December 31, 2021	
	Shareholders	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)	-

	December 31, 2020	
	Shareholders	Key management personnel
Statement of profit or loss and other comprehensive income		
Management compensation, included in administrative expenses	-	(10,212)
Commission, bank and similar charges	(83)	-
Short term leases	(750)	-
Statement of financial position		
Payables and accrued expenses	(75)	-

12. 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).

In thousands of Armenian Drams unless otherwise stated

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.

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, 2021 and December 31, 2020 credit risk exposure of financial assets is presented in the table below:

	December 31, 2021	December 31, 2020	Country	Credit rating
Cash and cash equivalents	17,378	90,676	Armenia	Unrated
Financial assets at fair value through profit or loss	405,260	296,200	Armenia	Unrated
Other financial assets	7,973	7,993	Armenia	Unrated
	430,611	**394,869**		

As at December 31, 2021 all the financial assets are with counterparties within RA and none of the financial assets are past due or impaired.

In thousands of Armenian Drams unless otherwise stated

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, 2021 and as at December 31, 2020 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.

	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**	**-**	-	-

	December 31, 2020				
	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	90,676	90,676	-	-	-
Financial assets at fair value through profit or loss	296,200	296,200	-	-	-
Other financial assets	7,993	7,993			
Total financial assets	**394,869**	**394,869**	-	-	-
Financial liabilities					
Other financial payables	107	107	-	-	-
Total financial liabilities	**107**	**107**	**-**	-	-
Net liquidity position	**394,762**	**394,762**	**-**	-	-

In thousands of Armenian Drams unless otherwise stated

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.

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

	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**

	December 31, 2020		
	Armenian Drams	**US Dollars**	**Total**
Financial assets			
Cash and cash equivalents	64,546	26,130	**90,676**
Financial assets at fair value through profit or loss	244,068	52,132	**296,200**
Other financial assets	7,993	-	**7,993**
Total financial assets	**316,607**	**78,262**	**394,869**
Financial liabilities			
Payables	107	-	**107**
Total financial liabilities	**107**	**-**	**107**
Net position	**316,500**	**78,262**	**394,762**

At December 31, 2021 and 2020 the weakening/(strengthening) of the Armenian Dram, as indicated below, against the US dollar would have decreased equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

In thousands of Armenian Drams unless otherwise stated

	Profit or loss / equity	
	Weakening	**Strengthening**
AMD 20% movement against US dollar		
December 31, 2021	22,640	(22,640)
December 31, 2020	15,652	(15,652)

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 2021 year would increase (decrease) by AMD 20,263 thousand (2020: AMD 14,810 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 is also 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.

Management has invested heavily in compliance functions to monitor its compliance with the numerous legal and regulatory requirements applicable to its business. Despite efforts to comply with applicable regulations, there are a number of risks, particularly in areas where applicable regulations may be unclear or where regulators revise their previous guidance. Any enforcement actions or other proceedings brought by the regulators against the Company or its affiliates, officers or employees could result in fines, penalties, cease and desist orders, enforcement actions, suspension or expulsion, or other disciplinary sanctions, including limitations on business activities, any of which could harm the Company's reputation and adversely affect the results of operations and financial condition. The consequences of noncompliance can include substantial monetary and non-monetary sanctions.

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

A 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.

In thousands of Armenian Drams unless otherwise stated

Financial assets/ financial liabilities	Fair value at December 31, 2021	Fair value at December 31, 2020	Fair value hierarchy	Valuation technique (s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss:						
Units in funds under management	405,260	296,200	Level 2	Net asset value of respective funds as published by the funds	N/A	N/A

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

For fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required), management consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

14. FINANCIAL INSTRUMENTS BY CATEGORY

In the tables below the financial assets and liabilities, as recognised in the statement of financial position as at December 31, 2021 and 2020, are presented based on their classification.

	December 31, 2021		
	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
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	**25,351**	**405,260**	**430,611**
Financial liabilities			
Payables	442	-	**442**
Total financial liabilities	**442**	**-**	**442**

	December 31, 2020		
	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Financial assets			
Cash and cash equivalents	90,676	-	**90,676**
Financial assets at fair value through profit or loss	-	296,200	**296,200**
Other financial assets	7,993	-	**7,993**
Total financial assets	**98,669**	**296,200**	**394,869**
Financial liabilities			
Payables	107	-	**107**
Total financial liabilities	**107**	**-**	**107**

15. SUBSEQUENT EVENTS

On 24 February 2022 special military operation in Ukraine commenced, following which the US, UK, EU and other countries announced an extension of sanctions on certain Russian officials, businessmen and companies. These developments may result in reduced access of the Russian businesses to international capital and export markets, weakening of the Russian Ruble, decline in capitals markets and other negative economic consequences. These developments and resulting economic and operational environment may have significant adverse effects on the business and operating environment in Armenia as well, including on the Company's business and financial performance. The outcome of these developments are difficult to predict given the degree of uncertainties related to political instability in the region.

Subsequent to the reporting date, in 2022 the Central Bank of Armenia has twice increased the refinancing rate as a monetary tool, on 2 February 2022 the rate was increased from 7.75% to 8% and on 15 March 2022 the rate was further increased to 9.25%.