LANDMARK CAPITAL CJSC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

AND INDEPENDENT AUDITORS' REPORT

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
LANDMARK CAPITAL CJSC

Opinion

We have audited the financial statements of LANDMARK CAPITAL CJSC (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 26 of the financial statements, which describes the events that took place after the reporting period. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on April 16, 2021.

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.

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In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

«Trust Audit» CJSC
Director Hayk Margaryan

Audit manager
Lilit Katoyan

April 25, 2022
Yerevan

LANDMARK CAPITAL CJSC

Statement of profit or loss and other comprehensive income

For the year ended December 31, 2021

In thousand drams	Note	Year ended December 31, 2021	Year ended December 31, 2020
Interest income	5	85,713	2,796
Interest expense	5	(16,005)	(2,996)
Net interest income / (expense)	5	**69,708**	**(200)**
Fee and commission income	6	85,255	45,191
Fee and commission expense	6	(4,455)	(2,575)
Net fee and commission income	6	**80,800**	**42,616**
Income from operating lease		3,600	900
Income from dividend		957	1,182
Net income from commercial transactions	7	119,187	72,197
Personnel costs	8	(113,624)	(56,046)
Other general administrative expenses	9	(25,767)	(19,042)
Other expenses	10	(18,098)	(16,334)
Profit before income tax		**116,763**	**25,273**
Income tax expense	11	(25,269)	(3,866)
Profit for the year		**91,494**	**21,407**
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		**91,494**	**21,407**

The financial statements were approved on April 25, 2022 by:

Executive Director

Aharon Mkhitaryan

Authorized person: Irina Ter-Abramyan

Chief accountant

Arshak Karakhanyan

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the Financial Statements set out on pages 9 to 30.

In thousand drams	Note	As of December 31, 2021	As of December 31, 2020
ASSETS			
Cash and cash equivalents	12	713,209	692,584
Financial assets measured at fair value through profit or loss	13	502,248	-
Property, equipment and intangible assets	14	7,812	23,767
Deferred tax assets	11	-	500
Other assets	15	9,856	5,151
TOTAL ASSETS		**1,233,125**	**722,002**
LIABILITIES			
Deferred tax liabilities	11	18,934	-
Borrowings received	16	646,915	145,150
Derivative financial instruments	17	-	89,852
Other liabilities	18	16,783	28,001
TOTAL LIABILITIES		**682,632**	**263,003**
EQUITY	19		
Share capital		436,815	436,815
Other components of equity		12,000	12,000
Retained earnings		101,678	10,184
TOTAL EQUITY		**550,493**	**458,999**
TOTAL LIABILITIES AND EQUITY		**1,233,125**	**722,002**

The Statement of Financial Position is to be read in conjunction with the notes to, and forming part of, the Financial Statements set out on pages 9 to 30.

In thousand drams	Share capital	Other components of equity	Retained earnings	Total
As of January 01, 2020	**85,000**	**-**	**(11,223)**	**73,777**
Profit for the year	-	-	21,407	21,407
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	21,407	21,407
Investments in share capital	351,815	-	-	351,815
Investments in other components of equity	-	12,000	-	12,000
As of December 31, 2020	**436,815**	**12,000**	**10,184**	**458,999**
Profit for the year	-	-	91,494	91,494
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	91,494	91,494
Investments in share capital	-	-	-	-
Investments in other components of equity	-	-	-	-
As of December 31, 2021	**436,815**	**12,000**	**101,678**	**550,493**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the Financial Statements set out on pages 9 to 30.

In thousand drams	Year ended December 31, 2021	Year ended December 31, 2020
Cash flows from operating activities		
Interest receipts	18,061	4,593
Dividend receipts	957	1,182
Fee and commission receipts, net	62,047	44,379
Receipts from operating lease	4,320	720
Net receipts from financial assets at fair value through profit or loss	216,745	76,556
Net payments from foreign exchange transactions	(882)	(2,360)
Payments to and on behalf of employees	(118,206)	(55,637)
Payments for the interest portion of the lease liability	(1,832)	(1,760)
Other operating receipts and expenses paid	(9,472)	(18,946)
Cash flows from operating activities before changes in operating assets and liabilities	**171,738**	**48,727**
(Increase) / decrease in operating assets		
(Increase) / decrease in financial assets at fair value through profit or loss	(656,678)	92,364
Decrease in operating liabilities		
Income tax payments	(1,438)	(1,134)
Net cash from / (used in) operating activities	**(486,378)**	**139,957**
Cash flows from investing activities		
Purchase of property and equipment and intangibles	(1,689)	(3,816)
Net receipts from other investing activities	-	50,000
Cash flows from / (used in) investing activities	**(1,689)**	**46,184**
Cash flows from financing activities		
Proceeds from issue of share capital	-	363,815
Payments for the principal portion of the lease liability	(16,491)	(15,838)
Net receipts of borrowed funds	572,163	138,858
Cash flows from financing activities	**555,672**	**486,835**
Net cash flows of cash and cash equivalents	**67,605**	**672,976**
Cash and cash equivalents at the beginning of the year	692,584	19,011
Foreign exchange effect on cash	(46,980)	597
Cash and cash equivalents at the end of the year	**713,209**	**692,584**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the Financial Statements set out on pages 9 to 30.

1. Organisation and operations

LANDMARK CAPITAL CJSC (the Company) is a closed joint-stock company incorporated in the Republic of Armenia on 28 February 2019. On 29 March 2019, the Company was reregistered as an investing company and received the license No: 0013. The license permits the Company to provide the following services:

- receive and communicate assignments regarding securities transactions from clients;
- execute securities transactions on its behalf or on behalf of the client and at its expense and the expense of the client;
- provide consultation to clients regarding the investments in securities;
- carry out guaranteed or non-guaranteed placement of securities.

In 2020, the license was renewed and, in addition to providing the above investment services, the Company received a license to provide pool of securities management services under License No. 0016.

The activity of the Company is regulated by the Central Bank of the Republic of Armenia (CBA).

The sole shareholder of the Company is Pukuotas Limited (Address: Ground Floor Gregory Afxentiou, 133 Agios Dometios, Nicosia 2369, Cyprus, registration number: HE 387570).
The Company's registered office is 118 office, 10 Vazgen Sargsyan, Yerevan 0010, Republic of Armenia.

2. Armenian business environment

The Company's operations are primarily located in Armenia. Consequently, the Company is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Armenia.

The financial statements reflect management's assessment of the impact of the Armenian business environment on the operations and financial position of the Company. The future business environment may differ from management's assessment.

Further, starting from early 2020 a coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in the announcement of the pandemic status by the World Health Organization in March 2020. Measures put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. The Company may face increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Company's business largely depends on the duration and the incidence of the pandemic effects on the world and Armenian economy.

3. Basis of preparation

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

3.2 Basis of measurement

The measurement basis adopted by the Company for the preparation of financial statements is the historical cost, which is usually combined with other measurement bases. When applying other measurement bases, the Company discloses in relevant notes.

3.3 Functional and presentation currency

The national currency of RA is the Armenian Dram (AMD), which is the Company's functional and presentation currency. All financial information presented in AMD has been rounded to the nearest thousand.

3.4 Going concern

A company shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

3.5 Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.
Although these estimates are based on the best knowledge of management on current events and actions, the actual results may differ from those estimates.

3.6 Adoption of new and revised standards

New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2021

Effective date of IBOR reform Phase 2 amendments

On 27 August 2020, the IASB issued 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

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

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the "settlement" of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Reference to the Conceptual Framework – Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

4. Significant accounting policies

4.1 Property and equipment

Property and equipment stated at cost

Property and equipment (the PPE) are initially stated at their initial cost. The cost of an item of property and equipment includes: purchase price including import duties, non-refundable taxes and other mandatory, transportation expenses, as well as all the expenses incurred for bringing the assets to the working state and location needed for their purposeful use. Exploitation and preproduction expenses are not included in the cost of PPE.

Subsequent expenditure on the PPE is capitalized when it is probable that future economic benefits associated with the item will flow to the entity at more amount than anticipated. Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the period in which they are incurred. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.

Depreciation is calculated on a straight line basis using the following annual rates:

Communication devices and computers	- 1-3 years
Other	- 5 years

4.2 Intangible assets

Intangible assets, which are acquired by the Company and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.
Amortization is charged to comprehensive income or is added to the cost of other asset on a straight line basis over the estimated useful lives of the intangible assets.

4.3 Leases

Company, as a lessee, at the commencement date, recognises a right-of-use asset and a lease liability except for low-value and short-term leases, with the exceptions provided for in IFRS 16.

Initial recognition

At the commencement date, an Company measures the right-of-use asset at cost which comprises:

- the amount of the initial measurement of the lease liability,

- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

At the commencement date, an Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

Subsequent measurement

After the commencement date, an Company measures the right-of-use asset at cost:

- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any remeasurement of the lease liability

The basis for the depreciation of the right of use assets is the Company's depreciation policy. After the commencement date, an Company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications

4.4 Cash and cash equivalents

Cash and cash equivalents include cash at financial institutions.
For the purpose of the statement of cash flows, cash and cash equivalents are short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value. Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company classifies investments as cash and cash equivalents if that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value.

4.5 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a part to the contractual provisions of the financial instrument.
Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.
Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest income using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Impairment

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVTPL are credit-impaired (referred to as 'Stage 3 financial assets). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment during the last six months. In addition, a loan that is overdue for 30 days or more, an investment security and cash and cash equivalents that are overdue for 5 days or more are considered credit-impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Company due to changes in the CBA key rate, if the loan agreement entitles the Company to do so.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Company analogizes to the guidance on derecognition of financial liabilities.

The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with the SPPI criterion.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that derecognition criteria are not usually met in such cases. The Company further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method. For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Company treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

Company performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Interest income and interest expenses

For financial instruments, interest income and expense are recognized in "net interest income" as "interest income" and "interest expense" in profit or loss using the effective interest rate method.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. Future cash flows are estimated based on all the contractual terms of the instrument.

Fees and commission expenses

Fees and commission expenses are recognized in profit or loss in accordance with the performance of the relevant services. Income and expenses in the form of fees and commissions that form an integral part of the effective interest rate on a financial asset or financial liability are included in the calculation of the effective interest rate.

Other income in the form of fees and commissions, including account maintenance fees, investment management fees, sales commissions, placement commissions and loan syndication fees, are recognized when the related service is provided. A contract with a customer that is recognized as a financial instrument in the Company's financial statements may be partly within the scope of IFRS 9 and partly within the scope of IFRS 15. In such cases, the Company first applies IFRS 9 to separate and measure the portion of the contract that falls within the scope of IFRS 9, and then applies IFRS 15 to the residual.
Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate for financial instruments other than measured at fair value through profit or loss, includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

4.6 Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date.
Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.
Gains and losses resulting from the translation of trading assets are recognised in the statement of profit or loss and other comprehensive income.

Foreign currency	*31.12.2021*	*31.12.2020*
1 EUR	542.61 AMD	641.11 AMD
1 RUB	6.42 AMD	7.02 AMD
1 USD	480.14 AMD	522.59 AMD

4.7 Equity

Equity instruments issued by the Company are recorded at the nominal value. The ability of the Company to declare and pay dividends is governed by the regulations established by the legislation of the Republic of Armenia. Dividends are recognized as distribution of retained earnings during the period in which they are declared.

4.8 Profit taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method.
Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

An entity offsets current tax assets and current tax liabilities if, and only if, the company:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.9 Provisions

A provision shall be recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the effect of the time value of money is material, the amount of a provision shall be the present (discounted) value of the expenditures expected to be required to settle the obligation.

4.10 Employee Benefits

When an employee has rendered service to the company during an accounting period, the company recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the company shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset (see, for example, IAS 2 Inventories and IAS 16 Property, Plant and Equipment).

The company recognises the expected cost of short-term employee benefits in the form of compensated absences as follows:

a. in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and

b. in the case of non-accumulating compensated absences, when the absences occur.

4.11 Revenue from Contracts with Customers

This standard has been put into discussion in 2008 for the first time. The final version has been issued on May 2014.

IFRS 15 Revenue from Contracts with Customers when effective must replace the guidance and interpretations to the following standards IAS 18 Revenue and IAS 11 Construction contracts.

The essential principle of the IFRS 15 Revenue from Contracts with Customers is that the entity must recognize revenue to depict the transfer of goods or services to customers specified in contract in an amount that reflects the consideration to which the entity expects to be entitled or collect in exchange for those goods or services.

The new standard provides a single, principles based five-step model to be applied to all contracts with customers. Effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The principles in IFRS 15 will be applied using a five-step model:

Step 1. Identify the contract(s) with a customer,

Step 2. Identify the performance obligations in the contract,

Step 3. Determine the transaction price,

Step 4. Allocate the transaction price to the performance obligations in the contract,

Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

5 Net interest income / (expense)

In thousand drams	Year ended December 31, 2021	Year ended December 31, 2020
Interest income		
From bank accounts and deposits	66	2,796
From bonds	18,941	-
From discount of received borrowings	66,706	-
Total interest income	**85,713**	**2,796**
Interest expense		
From long-term lease	(2,045)	(2,726)
From interest-bearing borrowings	(339)	(270)
From unwinding of discounted borrowings	(13,621)	-
Total interest expense	**(16,005)**	**(2,996)**
Net interest income / (expense)	**69,708**	**(200)**

The details of the long-term lease are disclosed in note 20.
The items “Interest income from discount of received borrowings” and “Interest expense from unwinding of discounted borrowings” presented in this note are result of the discount on received borrowings presented in note 16.

The above borrowings were provided interest-free, with a 360-day repayment period. The rate used for discounting is 10.6%.

6 Net fee and commission income

In thousand drams	Year ended December 31, 2021	Year ended December 31, 2020
Fee and commission income		
From advisory services	77,165	27,840
From investment services	8,090	17,351
Total	**85,255**	**45,191**
Fee and commission expense		
From commissions	(4,455)	(2,575)
Total	**(4,455)**	**(2,575)**
Net fee and commission income	**80,800**	**42,616**

7 Net income from commercial transactions

In thousand drams	Year ended December 31, 2021	Year ended December 31, 2020
Securities		
Net income/(expense) on buying and selling financial assets measured at fair value through profit or loss	103,591	(7,832)
Net income on changes in the fair value of financial assets measured at fair value through profit or loss	56,068	59,836
	159,659	**52,004**
Foreign exchange operations		
Net expense from dealing operations in foreign currency	(416)	(2,194)
Net income/(expense) on foreign exchange revaluation	(40,056)	22,387
	(40,472)	**20,193**
Total	**119,187**	**72,197**

8 Personnel costs

In thousand drams	Year ended December 31, 2021	Year ended December 31, 2020
Employee benefits	113,612	55,921
Personnel training costs	-	100
Other personnel costs	12	25
Total	**113,624**	**56,046**

9 Other general administrative expenses

In thousand drams	Year ended December 31, 2021	Year ended December 31, 2020
Professional services	14,765	11,619
Communications and information services	1,604	1,346
Office expenses	6,190	2,462
Maintenance of property and equipment	520	528
Non-refundable taxes and fees	1,852	1,668
Other	836	1,419
Total	**25,767**	**19,042**

10 Other expenses

In thousand drams	Year ended December 31, 2021	Year ended December 31, 2020
Hiring expenses	46	53
Depreciation	17,821	16,281
Other	231	-
Total	**18,098**	**16,334**

11 Income tax expense

In thousand drams	Year ended December 31, 2021	Year ended December 31, 2020
Current tax	(5,834)	(1,651)
Deferred tax	(19,435)	(2,215)
Total	**(25,269)**	**(3,866)**

In 2021, the applicable tax rate for current and deferred tax is 18% (2020: 18%). Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended December 31, 2021	Effective tax rate (%)	Year ended December 31, 2020	Effective tax rate (%)
Profit before taxation (under IFRS)	116,763		25,273	
Tax calculated at a tax rate of 18% (2020: 18%)	(21,017)	18.00	(4,549)	18.00
(Non-taxable)/non-deductible items, net	(4,252)	3.60	701	(2.80)
Effect of change in tax rate	-	-	(18)	0.10
Income tax expense	(25,269)	21.60	(3,866)	15.20

The Company faces some taxable temporary differences, which arise as a result of some expenses that are non-deductible taxable expenses as well as some incomes that are non-taxable incomes.

Deferred taxes are the net tax consequences of the temporary differences between the carrying values of assets and liabilities used for financial accounting and tax accounting. As of December 31, 2021, temporary differences mostly represent the differences between recognition criteria/timing of incomes and expenses as well as due to temporary differences of tax base of some assets in tax accounting.

Deferred taxes for the year ended December 31, 2021 can be summarized as follows:

In thousand drams	As of December 31, 2021	Recognized in profit or loss	Recognized in other comprehensive income	As of December 31, 2020
Deferred tax assets				
Property and equipment	-	(52)	-	52
Lease liability	1,047	(2,918)	-	3,965
Provisions	467	(321)	-	788
Total deferred tax assets	**1,514**	**(3,291)**	**-**	**4,805**
Deferred tax liabilities				
Property and equipment	(19)	(19)	-	-
Borrowings	(9,555)	(9,555)	-	-
Investment securities	(9,959)	(9,959)	-	-
Right-of-use assets	(915)	3,390	-	(4,305)
Total deferred tax liabilities	**(20,448)**	**(16,143)**	**-**	**(4,305)**
Net result - deferred tax (liabilities) / assets	**(18,934)**	**(19,434)**	**-**	**500**

Deferred taxes for the year ended December 31, 2020 can be summarized as follows:

In thousand drams	As of December 31, 2020	Recognized in profit or loss	Recognized in other comprehensive income	As of January 1, 2020
Deferred tax assets				
Property and equipment	52	52	-	-
Lease liability	3,965	(2,526)	-	6,491
Provisions	788	545	-	243
Tax losses	-	(2,531)	-	2,531
Total deferred tax assets	**4,805**	**(4,460)**	**-**	**9,265**
Deferred tax liabilities				
Right-of-use assets	(4,305)	2,245	-	(6,550)
Total deferred tax liabilities	**(4,305)**	**2,245**	**-**	**(6,550)**
Net result - deferred tax assets	**500**	**(2,215)**	**-**	**2,715**

12 Cash and cash equivalents

In thousand drams	As of December 31, 2021	As of December 31, 2020
Current accounts in financial institutions	713,209	692,584
Total	**713,209**	**692,584**

No cash and cash equivalents are impaired or past due.

13 Financial assets measured at fair value through profit or loss

In thousand drams	As of December 31, 2021	As of December 31, 2020
Held by the Company		
Debt instruments	346,254	-
Equity instruments	155,994	-
Total	**502,248**	**-**

As of the end of the reporting year, the Company has no securities pledged under sale and repurchase agreements. None of investment securities are past due.

14 Property, equipment and intangible assets

In thousand drams	Communication devices and computers	Other fixed assets	Right-of-use assets	Intangible assets	Total
Cost					
As of January 1, 2020	**769**	**274**	**45,734**	**-**	**46,777**
Additions	3,366	450	-	-	3,816
As of December 31, 2020	**4,135**	**724**	**45,734**	**-**	**50,593**
Additions	98	79	-	1,689	**1,866**
As of December 31, 2021	**4,233**	**803**	**45,734**	**1,689**	**52,459**
Accumulated depreciation					
As of January 1, 2020	**363**	**19**	**10,163**	**-**	**10,545**
Charge for the year	995	41	15,245	-	16,281
As of December 31, 2020	**1,358**	**60**	**25,408**	**-**	**26,826**
Charge for the year	2,476	100	15,245	-	17,821
As of December 31, 2021	**3,834**	**160**	**40,653**	**-**	**44,647**
Carrying amount					
As of December 31, 2020	**2,777**	**664**	**20,326**	**-**	**23,767**
As of December 31, 2021	**399**	**643**	**5,081**	**1,689**	**7,812**

Right-of-use asset presents rented area that is necessary for the Company's activities.

As of December 31, 2021 property and equipment included fully depreciated assets with original cost of AMD 3,504 thousand (December 31, 2020: AMD 762 thousand).

As of the reporting date, the Company's intangible assets present accounting software that has an indefinite useful life and is not subject to amortization.

As of the reporting date, there are no restrictions on the Company's fixed assets and intangible assets.

15 Other assets

In thousand drams	As of December 31, 2021	As of December 31, 2020
Prepayments given	5,244	596
Receivables on services provided	4,612	4,070
Other	-	485
Total	**9,856**	**5,151**

16 Borrowings received

In thousand drams	As of December 31, 2021	As of December 31, 2020
Borrowing from related parties	-	5,769
Borrowing from third parties	646,915	139,381
Total	**646,915**	**145,150**

Detailed information on borrowings is presented in Note 5. Expected repayment terms of borrowings received are presented in Note 21. The received borrowings are not overdue.

17 Derivative financial instruments

In thousand drams	As of December 31, 2021		As of December 31, 2020	
	Conditional amount	Fair value	Conditional amount	Fair value
Options contracts	-	-	92,287	89,852
Total	**-**	**-**	**92,287**	**89,852**

18 Other liabilities

In thousand drams	As of December 31, 2021	As of December 31, 2020
Lease liability	5,751	22,030
Liabilities to suppliers	712	226
Income tax liability	7,485	1,651
Payables on the budget	243	152
Provisions	2,592	3,942
Total	**16,783**	**28,001**

19 Share capital

The authorised, issued and paid share capital comprises 5,139 shares. All shares have a nominal value of AMD 85,000. Ordinary shareholders have the right to receive the declared dividends from time to time and to vote at the Company's annual general meeting of shareholders on a one-share-one vote basis.
On April 27, 2020, according to the decision of the Company's founder, AMD 12,000 thousand was invested in other components of equity.
In accordance with the 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 International Financial Reporting Standards.

20 Leases

At the end of the reporting year, the Company has no leases of low-value assets. At the end of the reporting year, the Company has no short-term leases. During the reporting year, the company operates in the office within the framework of a long-term lease agreement. The right-of-use asset related with the long-term lease is disclosed in note 14. The Company applies the cost model of IAS 16 to measure the right-of-use assets. The non-cancellable period for long-term leases is 3 years. Long-term lease agreement does not provide options to extend or terminate lease, which the Company is reasonably certain to exercise.

The interest expense on long-term lease during the reporting year amounted to 2,045 thousand drams (see Note 5). The total monthly rent for long-term lease is 1,445 thousand drams.

Maturity analysis – contractual undiscounted cash flows.

In thousand drams	2021	2020
Not later than one month	4,334	-
later than one month and not later than three months	-	4,703
later than three months and not later than one year	1,483	13,620
later than one year and not later than three years	-	5,817
Later than three years	-	-
Total	**5,817**	**24,140**

21 Risk management

Management of risk is fundamental to the business of the Company and forms an essential element of the Company's operations. The major (significant) risks faced by the Company are those related to market risk, credit risk, liquidity risk, and operational, legal and reputational risks.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice. The Company has developed a system of reporting on significant risks and capital.

The Company's internal documentation establishing the procedures and methodologies for identification, managing and stress-testing the Company's significant risks, was approved by the authorized management bodies of the Company in accordance with regulations and recommendations issued by the CBA.

The shareholders have overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures. The management of the Company is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Company operates within established risk parameters. The Executive Director is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the shareholders.

Both external and internal risk factors are identified and managed throughout the company. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.
The Company manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the management.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also reduce or create losses in the event that unexpected movements occur.

(ii) Currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.
Foreign currency denominated financial assets and liabilities which expose the Company to currency risk at the reporting date are presented below:

As of December 31, 2021	USD	Thousand drams	EURO	Thousand drams	RUB	Thousand drams
Financial assets						
Cash and cash equivalents	1,106,667	531,347	304	165	21,520	138
Investment securities measured at fair value through profit or loss	234,875	112,771	-	-	-	-
Receivables	1,000	482	-	-	-	-
	1,342,542	**644,600**	**304**	**165**	**21,520**	**138**
Financial liabilities						
Borrowings	-	-	-	-	-	-
Financial liabilities measured at fair value through profit or loss	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**
Net position	**1,342,542**	**644,600**	**304**	**165**	**21,520**	**138**

As of December 31, 2020	USD	Thousand drams	EURO	Thousand drams	RUB	Thousand drams
Financial assets						
Cash and cash equivalents	1,298,372	678,517	165	106	85,911	603
Investment securities measured at fair value through profit or loss	-	-	-	-	-	-
Receivables	5,601	2,927	-	-	32,796	224
	1,303,973	**681,444**	**165**	**106**	**118,707**	**827**
Financial liabilities						
Borrowings	265,521	138,759	9,000	5,770	87,830	624
Financial liabilities measured at fair value through profit or loss	171,935	89,852	-	-	-	-
	437,456	**228,611**	**9,000**	**5,770**	**87,830**	**624**
Net position	**866,517**	**452,833**	**(8,835)**	**(5,664)**	**30,877**	**203**

The following table details the Company's sensitivity to a 10% (2020: 10%) increase and decrease in dram against US dollar, Euro an RUB. 10% (2020: 10%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2020: 10%) change in foreign currency rates.
If Armenian dram had strengthened against US dollar, RUB and Euro by 10% (2020: 10%) then this would have had the following impact:

In thousand drams	US dollar impact		EUR impact		RUB impact	
	2021	2020	2021	2020	2021	2020
Profit or loss	64,460	45,283	17	(566)	14	20

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments).
The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognised contractual commitment amounts. The impact of the possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Collateral generally is not held against investments in securities and borrowings provided.

In thousand drams	As of December 31, 2021		
Assets	Republic of Armenia	Other countries	Total
Cash and cash equivalents	363,764	349,445	713,209
Investment securities measured at fair value through profit or loss	502,248	-	502,248
Other assets	4,612	-	4,612
Total	**870,624**	**349,445**	**1,220,069**

In thousand drams	As of December 31, 2020		
Assets	Republic of Armenia	Other countries	Total
Cash and cash equivalents	18,136	674,448	692,584
Other assets	4,555	-	4,555
Total	**22,691**	**674,448**	**697,139**

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched, since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity management policy requires:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- maintaining liquidity and funding contingency plans
- monitoring liquidity ratios against regulatory requirements.

The table below shows an analysis, by expected maturities, of amounts recognised in the statement of financial position as at 31 December 2021:

In thousand drams	Demand and less than one month	From 1 to 3 months	From 3 to 12 months	More than 1 year	No maturity	**Total**
Assets						
Cash and cash equivalents	713,209	-	-	-	-	**713,209**
Financial assets measured at fair value through profit or loss	-	-	-	346,254	155,994	**502,248**
Other assets	4,612	-	-	-	-	**4,612**
Total	**717,821**	**-**	**-**	**346,254**	**155,994**	**1,220,069**
Liabilities						
Borrowings	-	-	646,915	-	-	**646,915**
Financial liabilities measured at fair value through profit or loss	-	-	-	-	-	**-**
Other liabilities	11,032	4,334	1,417	-	-	**16,783**
Total	**11,032**	**4,334**	**648,332**	**-**	**-**	**663,698**
Net position	**706,789**	**(4,334)**	**(648,332)**	**346,254**	**155,994**	**556,371**

The table below shows an analysis, by expected maturities, of amounts recognised in the statement of financial position as at 31 December 2020:

In thousand drams	Demand and less than one month	From 1 to 3 months	From 3 to 12 months	More than 1 year	No maturity	**Total**
Assets						
Cash and cash equivalents	692,584	-	-	-	-	**692,584**
Other assets	4,555	-	-	-	-	**4,555**
Total	**697,139**	**-**	**-**	**-**	**-**	**697,139**
Liabilities						
Borrowings	623	5,769	138,758	-	-	**145,150**
Financial liabilities measured at fair value through profit or loss	-	-	89,852	-	-	**89,852**
Other liabilities	5,819	4,163	14,768	3,099	-	**27,849**
Total	**6,442**	**9,932**	**243,378**	**3,099**	**-**	**262,851**
Net position	**690,697**	**(9,932)**	**(243,378)**	**(3,099)**	**-**	**434,288**

22 Capital management

The CBA sets and monitors capital requirements for the Company. Under the current capital requirements set by the CBA, which are based on Basel Accord principles, investment companies have to maintain amount of capital and a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum levels. As at 31 December 2021 and 2020, this minimum amount of capital is AMD 300,000 thousand and a minimum level of the ratio of capital to risk weighted assets is 12%. The Company is in compliance with the statutory capital ratio as at 31 December 2021 and 2020.

23 Contingencies

(a) Insurance

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

(b) Litigation

Management is unaware of any significant actual, pending or threatened claims against the Company.

(c) Taxation contingencies

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.

24 Fair value measurement

The carrying amounts of the financial assets and liabilities as presented in the statement of financial position approximate their respective fair values as at 31 December 2021 and 2020.

The estimates of fair value are intended to approximate 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. 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 transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset, or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

25 Related party transactions

(a) Control relationships

The Company's related parties include shareholder, executive director, key management personnel and persons related to them.

PUKUOTAS LIMITED (Address: Ground Floor Gregory Afxentiou, 133 Agios Dometios, Nicosia 2369, Cyprus) owns 100% of the Company's shares. The only shareholder of the later is Aharon Mkhitaryan who has the ultimate control over the Company.

(b) Transactions with ultimate controlling party

In thousand drams	As of December 31, 2021	2021		As of December 31, 2020
Ordinary shares	436,815	-	-	436,815
Other components of equity	12,000	-	-	12,000
Received borrowings	-	(6,663)	893	5,770

In thousand drams	As of December 31, 2020	2020		As of December 31, 2019
Ordinary shares	436,815	-	351,815	85,000
Other components of equity	12,000	-	12,000	-
Received borrowings	5,770	(1,114)	6,884	-

(c) Transactions with key management personnel

In thousand drams	As of December 31, 2021	2021		As of December 31, 2020
Reimbursement of expenses	-	108	(108)	-
Employee Benefits	-	(49,915)	49,915	-

In thousand drams	As of December 31, 2020	2020		As of December 31, 2019
Reimbursement of expenses	-	336	(336)	-
Employee Benefits	-	(10,273)	10,273	-

26 Events after the reporting period

The Russian-Ukrainian military conflict, which began on February 24, 2022, has led, and continues to lead, to significant casualties, dislocation of the population, damage to infrastructure and disruption to economic activity in Ukraine.

In response, multiple jurisdictions, including the EU, Switzerland, the UK, the US, Canada, Japan and Australia have imposed initial tranches of economic sanctions on Russia (and in certain cases Belarus).

In addition to the imposition of sanctions, a growing number of large public and private companies have announced voluntary actions to curtail business activities with Russia and Belarus. These actions include plans to dispose of assets or discontinue operations in Russia/Belarus, curtailing exports to, or imports from, these countries and discontinuing the provision of services.

Further, a number of Russian publicly listed entities have had their listings suspended on certain stock exchanges and been excluded from market indices. The Russian central bank has temporarily suspended stocks and derivatives trading, and local authorities have also temporarily barred foreign investors from selling Russian assets and placed significant limitations on any payments to foreign entities, e.g. to settle financial liabilities.

The military conflict in Ukraine and related events take place at a time of significant global economic uncertainty and volatility, and the effects are likely to interact with and exacerbate the effects of current market conditions.

Many sectors/jurisdictions are already facing the impacts of rising commodity prices and increased raw materials costs, as a result of surging consumer demand as the COVID-19 pandemic eases. Supply-chain bottlenecks, arising from the effects of the pandemic, continue to persist, and are heightened by labor shortages and trade friction. These conditions may be significantly exacerbated by the wider effects of the military conflict in Ukraine, increasing inflationary pressures and weakening the global post-pandemic recovery.

The Company may be affected by the above circumstances as a result of their negative impact on the global economy and major financial markets.