Landmark Capital CJSC

Financial statements

Year ended 31 December 2023
together with independent auditor's report

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Independent auditor's report

To the Shareholder of Landmark Capital CJSC

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Responsibilities of management 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.

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Auditor's responsibilities for the audit of the financial statements

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

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

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

We communicate with 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.

CJSC Ernst & Young

General Director — Eric Hayrapetyan

Partner (Assurance) — Dmytro Iurgelevych

6 May 2024
Yerevan, Armenia

Statement of financial position

As of 31 December 2023

(thousands of Armenian Drams)

	Notes	2023	2022
Assets			
Cash and cash equivalents	5	1,541,622	1,777,727
Trading securities	6	823,480	787,355
Amounts due from clients and counterparties	7	85,220	808,654
Property, equipment, right-of-use assets and intangible assets		40,344	41,059
Other assets		20,155	2,178
Total assets		**2,510,821**	**3,416,973**
Liabilities			
Derivative financial liabilities	6	59,636	-
Borrowings	8	627,803	645,811
Amounts due to counterparties	9	282,387	535,097
Current income tax liabilities		12,825	361,345
Other liabilities	10	70,926	110,201
Deferred tax liabilities	19	29,699	12,213
Total liabilities		**1,083,276**	**1,664,667**
Equity			
Share capital	11	436,815	436,815
Retained earnings		978,730	1,303,491
Other components of equity	11	12,000	12,000
Total equity		**1,427,545**	**1,752,306**
Total equity and liabilities		**2,510,821**	**3,416,973**

Signed and authorised for release on behalf of the Management of the Company.

Gor Gevorgyan — Executive Director

Irina Ter-Abramyan — Chief Accountant

6 May 2024

The accompanying notes from 1 to 26 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

(thousands of Armenian Drams)

	Notes	*2023*	*2022*
Interest revenue	12	102,520	123,501
Interest expense	12	(74,777)	(72,083)
Net interest income		**27,743**	**51,418**
Credit loss reversal/(expense)	13	19,594	(22,259)
Fee and commission income	14	979,770	724,791
Fee and commission expense	14	(595,339)	(1,511,406)
Net trading income	15	1,230,285	2,738,415
Net foreign exchange gain	16	991,231	72,174
Net gain from initial recognition, derecognition and modification of interest-free borrowings	8	88,241	68,460
Income from dividends		267	33,516
Income from operating leases		1,500	7,583
Other income		3,493	8,276
Personnel expenses	17	(692,297)	(437,059)
Other general administrative expenses	18	(188,200)	(142,553)
Profit before income tax expense		**1,866,288**	**1,591,356**
Income tax expense	19	(236,549)	(358,043)
Profit for the year		**1,629,739**	**1,233,313**
Other comprehensive income		–	–
Total comprehensive income for the year		**1,629,739**	**1,233,313**

The accompanying notes from 1 to 26 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2023

(thousands of Armenian Drams)

	Share capital	*Other components of equity*	*Retained earnings*	*Total equity*
Balance as at 1 January 2022	**436,815**	**12,000**	**101,678**	**550,493**
Profit and total comprehensive income for the year	–	–	1,233,313	**1,233,313**
Dividends to shareholders (*Note 11*)	–	–	(31,500)	**(31,500)**
Balance as at 31 December 2022	**436,815**	**12,000**	**1,303,491**	**1,752,306**
Profit and total comprehensive income for the year	–	–	1,629,739	**1,629,739**
Dividends to shareholders (*Note 11*)	–	–	(1,954,500)	**(1,954,500)**
Balance as at 31 December 2023	**436,815**	**12,000**	**978,730**	**1,427,545**

The accompanying notes from 1 to 26 are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2023

(thousands of Armenian Drams)

	Notes	2023	2022
Cash flows from operating activities			
Interest received		102,070	119,274
Fees and commissions received		1,064,847	551,295
Fees and commissions paid		(647,990)	(1,454,385)
Realized net trading income and other movements related to settlement of transactions with securities		2,004,864	2,230,719
Net gain from foreign exchange trading activities		435,930	597,228
Personnel expenses paid		(670,476)	(360,524)
Dividends received		267	33,301
Receipts from operating lease		1,500	8,649
Payments for the interest portion of lease liabilities		(3,581)	(3,802)
Other general administrative expenses paid		(227,091)	(15,015)
Trading securities		152,200	(395,125)
Net operating activities before income tax		**2,212,540**	**1,311,615**
Income tax paid		(567,583)	(10,904)
Net cash from operating activities		**1,644,957**	**1,300,711**
Cash flows from investing activities			
Purchase of property, equipment		(26,335)	(1,436)
Purchase of intangible assets		–	(5,367)
Net cash used in investing activities		**(26,335)**	**(6,803)**
Cash flows from financing activities			
Proceeds from borrowings	24	–	392,817
Repayments of borrowings	24	–	(385,293)
Lease liabilities paid	24	(10,571)	(13,273)
Dividends paid	11	(1,954,500)	(31,500)
Net cash used in from financing activities		**(1,965,071)**	**(37,249)**
Net (decrease) increase in cash and cash equivalents		**(346,449)**	**1,256,659**
Cash and cash equivalents, beginning		1,777,727	713,209
Effect of exchange rates changes on cash and cash equivalents		102,115	(182,986)
Effect of expected credit losses on cash and cash equivalents	**5**	8,229	(9,155)
Cash and cash equivalents, ending	5	**1,541,622**	**1,777,727**

The accompanying notes from 1 to 26 are an integral part of these financial statements.

(thousands of Armenian Drams)

1. Principal activities

(a) Organisation and operations

Landmark Capital CJSC (the “Company”) is a closed joint-stock company incorporated in the Republic of Armenia. The Company was registered and licensed (license No: 16) as an investment company by the Central Bank of Armenia on 29 March, 2019. The license permits the Company to provide the following services:

- ► Acceptance and transfer of orders of clients for the execution of transactions in securities;
- ► Execution of transactions in securities on its own behalf or on behalf of the client and to the client’s account;
- ► Provision of consultation to clients related to the investments in securities;
- ► Execution of transaction in securities on its own account and own behalf;
- ► Execution of non-guaranteed allocation of securities;
- ► Managing of package of securities.

In addition to providing the above-mentioned core investment services, the Company can perform other non-core services provided by its license and the law of RA on securities market.

Landmark Capital CJSC is located and operates in Yerevan only. The company has no branches and representations yet. The Company provides information on its activities in accordance with RA legislation based on the principle of reliability and periodicity.

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

The Company’s registered office is 118 office, 10 Vazgen Sargsyan, Yerevan, 0010, Republic of Armenia.

As of 31 December, the shareholder of the Company is:

Shareholder	***2023, %***	***2022, %***
Landmark Holding LLC	100.0	100.0
Total	**100.0**	**100.0**

Landmark Holding LLC is the direct shareholder of Landmark Capital CJSC. The sole shareholder and ultimate controlling party of the latter is Aharon Mkhitaryan as at 31 December 2023 and 2022.

b) 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, regulatory frameworks and overall business practices and environment continue developing and improving. However still varying interpretations and frequent changes of legislation together with other legal impediments contribute to the challenges faced by entities operating in Armenia. Additionally, the breakout of armed conflict in Nagorno-Karabakh in September 2020 followed by cease-fire arrangement over disputed Nagorno-Karabakh territories, later escalation of the conflict in the Republic of Armenia territory has increased uncertainty in the business environment.

As a result of the war in Ukraine many leading countries and economic unions have announced severe economic sanctions on Russia and Belarus, including Russian banks, other entities and individuals. Since the start of the war, there has been a significant volatility of the Russian ruble against foreign currencies, as well as significant loss of value on the securities markets in Russia and of Russian companies listed in overseas markets. As a result of the above, there have been an influx of non-residents and relocation of many businesses (especially from Russia) to Armenia, which have played a vital role in stimulating economic growth of the country in general, and activation of the investment and asset management activities in particular. As the war is still waging, it is impossible to reliably assess the final impact this may have on the Company’s business as there is uncertainty over the magnitude of the impact on the economy in general.

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

(thousands of Armenian Drams)

2. Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

b) Basis of measurement

The financial statements are prepared on the historical cost basis except that trading securities and derivative financial instruments are stated at fair value.

c) Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram (“AMD”), which is the Company’s functional currency and the currency in which these financial statements are presented. These financial statements are presented in thousands of Armenian Dram (“AMD”), and all values are rounded off to the nearest thousands, except when otherwise indicated.

3. Accounting policies

In accordance with the amendments to IFRSs *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2* that became effective on 1 January 2023 as disclosed in *Note 3* (h) below, the Company revised its disclosure of accounting policies. The revised material accounting policy information focuses on how the Company has applied the requirements of the IFRSs to its own circumstances and includes largely items where the Company chose an accounting policy from one or more options permitted by IFRSs, items subject to significant judgments or estimates, and excludes information that only duplicates or summarizes the requirements of IFRSs, as well as accounting policies about immaterial matters.

(a) Fair value measurement

The Company measures trade securities and derivatives at fair value at each balance sheet date.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(b) 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:

	31 December 2023	***31 December 2022***
AMD / 1 US dollar	404.79	393.57
AMD / 1 Euro	447.9	420.06

Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period under the line “Net foreign exchange gain/(loss)”.

(c) Financial Instruments

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through PL.

The Company classifies and measures its derivative and trading portfolio at FVTPL. The Company may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

The Company’s financial assets at amortised cost includes amounts due from clients and counterparties and cash and cash equivalents.

All regular way purchases and sales of financial assets and liabilities are recognized on the settlement date basis i.e. the date that the Company commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

(thousands of Armenian Drams)

3. Accounting policies (continued)

(c) Financial Instruments (continued)

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Interest revenue is recognized in profit or loss using the effective interest method for cash and cash equivalents measured at amortised cost and is included in the 'interest revenue” line item as “interest revenue calculated using effective interest rate'. Other Interest revenue includes coupons received from financial assets at FVTPL and is included in the “interest revenue” line item as “other interest revenue'.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying');
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors;
- It is settled at a future date.

The Company enters into derivative transactions with various counterparties. These include mainly short-term forward foreign exchange contracts. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of profit or loss in “Net trading income”.

Financial assets at FVTPL

Trading financial assets are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend on the financial asset and is included in the ‘net trading gain’ line item.

Transactions with securities under brokerage activities are not recorded on the statement of financial position of the Company as the risks and rewards of the ownership are borne by the brokerage customers.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Specifically:

- For financial assets measured at amortised cost, exchange differences are recognised in profit or loss in ‘Net foreign exchange gain/(loss)’ line item;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘‘Net foreign exchange gain/(loss)” line item; and

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for cash and cash equivalent and amounts due to clients and counterparties.

The Company measures loss allowances at an amount equal to 12-month ECL for Stage 1 cash and cash equivalents and lifetime ECL for Stage 2 cash and cash equivalents.

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 recognized are referred to as ‘Stage 1’ financial instruments.

(thousands of Armenian Drams)

3. Accounting policies (continued)

(c) Financial Instruments (continued)

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 recognized are referred to as ‘Stage 2’ financial instruments. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognized and that are credit-impaired are referred to as ‘Stage 3 financial instruments’.

ECL are a probability-weighted estimate of credit losses. For Financial assets that are not credit-impaired at the reporting date they are measured as the present value of all cash shortfalls (i.e. The difference between the cash flows due to the entity in accordance with the contract and the cash flows that the bank expects to receive).

For other financial assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Financial liabilities measured at amortised cost

Financial liabilities at amortised cost are initially recognized at fair value adjusted for incremental and directly attributable fees and transaction costs. Amortised cost is the amount at which the financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss in the ‘Net gain from initial recognition, derecognition and modification of interest-free borrowings’ line item. The Company’s financial liabilities measured subsequently at amortised cost include borrowings, amounts due to counterparties and other financial liabilities.

Interest expense on the financial liabilities at amortized cost is recognised in profit or loss using the effective interest method for financial liabilities measured subsequently at amortised cost and is included in the 'interest expense' line item.

(d) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue and expense

The Company calculates interest revenue on financial assets measured at amortized cost by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts or in case of contractual modification of the asset or liability.

The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense. When a financial asset becomes credit-impaired, the Company calculates interest revenue by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest revenue on a gross basis.

(thousands of Armenian Drams)

3. Accounting policies (continued)

(d) Recognition of income and expenses (continued)

Fee and commission income and expense

The Company earns fee and commission income from a diverse range of services it provides to its customers, mainly from provision of brokerage and advisory services. When the Company provides a service to its customers, consideration is recognised and calculated based on agreement and order concluded between the parties and generally due immediately upon satisfaction of a service provided at a point in time.

The Company's fee and commission expense from services where performance obligations are satisfied over time include agent fees, which are calculated based on marginal income earned by the Company from the services provided to clients introduced by agents. Consequently, acceptance acts are concluded between the Company and agents and agent fees are generally recognised quarterly. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Dividend income

Revenue is recognized when the Company's right to receive the payment is established and is included in "Income from dividends" line item.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on demand at Armenian and foreign banks, in Central Depository of Armenia and Clearing systems.

(f) Operating taxes

The RA has various other taxes, which may be assessed on the Company's activities. These taxes are included as a component of other general administrative expensesin the statement of profit or loss and other comprehensive income.

(g) Property, equipment and intangible assets

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of the individual assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives of significant items of property, equipment and intangible assets are as follows.

Communication devices and computers	1-3 years
Other	8 years

(h) New and amended standards and interpretations

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

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

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

Other new or amended standards that apply for the first time in 2023 did not have material impact on the Company's financial statements:

- *IFRS 17 Insurance Contracts*.
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*
- *International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12*
- *Definition of Accounting Estimates - Amendments to IAS 8.*

(thousands of Armenian Drams)

3. Accounting policies (continued)

(i) New standards and interpretations not yet adopted

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The amendments below, becoming effective from 1 January 2024,are not expected to have a material effect on the Company's financial statements:

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

4. Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The most significant areas of judgements and estimates with regards to these financial statements are presented below:

Measurement of fair values

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs. For further details about determination of fair value please see *Note 21*.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2023	***2022***
Current accounts with Armenian and foreign banks	1,103,427	486,079
Current accounts with Central Depository of Armenia and clearing systems	439,121	1,300,803
Less – allowance for impairment	(926)	(9,155)
Cash and cash equivalents	**1,541,622**	**1,777,727**

Cash and cash equivalents are allocated to Stage 1 and Stage 2. An analysis of changes in the ECL allowances during the year is, as follows:

	Stage 1	***Stage 2***	***Total***
ECL allowance as at 1 January 2023	**1,792**	**7,363**	**9,155**
Changes in ECL	(1,019)	(7,210)	**(8,229)**
At 31 December 2023	**773**	**153**	**926**

	Stage 1	***Stage 2***	***Total***
ECL allowance as at 1 January 2022	**–**	**–**	**–**
Changes in ECL	1,792	7,363	**9,155**
At 31 December 2022	**1,792**	**7,363**	**9,155**

Information about credit quality of cash and cash equivalents is presented in *Note 20* "Risk management".

(thousands of Armenian Drams)

6. Trading securities

Trading securities owned comprise:

	2023	*2022*
Corporate bonds	300,376	621,915
Corporate shares	174,858	161,498
Foreign government bonds	348,246	3,942
Trading securities	**823,480**	**787,355**

As at 31 December 2023, trading securities were represented by Armenian issuers' corporate bonds denominated in Armenian Drams and US dollars, Armenian issuers' corporate shares, and corporate bonds by Austrian, Belgium, Finland governments denominated in Euro (as at 31 December 2022: trading securities were represented by Armenian and Russian issuers' corporate bonds denominated in Armenian Drams, US Dollars, US treasury bonds denominated in US dollars and corporate shares denominated in Armenian drams.

Trading securities by countries of the issuer comprise:

	2023	*2022*
Armenia	475,234	473,844
Austria	206,148	–
Belgium	94,455	–
Finland	47,643	–
Russia	–	309,569
USA	–	3,942
Trading securities	**823,480**	**787,355**

As at 31 December 2023 and 2022, the Company has no securities pledged.

In 2023, the Company entered into derivative financial transaction (forward) to sell foreign government bonds of AMD 206,148 thousand at a fixed contract price at a future date. The derivative liability outstanding as at 31 December 2023 amounted to AMD 59,636 thousand and is recorded in the statement of financial position under the derivative financial liabilities.

7. Amounts due from clients and counterparties

The amounts due from clients and counterparties comprises:

	2023	*2022*
Amounts due from brokerage services	68,143	166,562
Receivables from securities trading	15,195	649,541
Amounts due from custody	3,621	5,655
Less – allowance for impairment	(1,739)	(13,104)
Amounts due from clients and counterparties	**85,220**	**808,654**

Amounts due from clients and counterparties are non-interest bearing.

As at 31 December 2023 and 31 December 2022 receivables from securities trading represent unsettled receivable for sale of securities due from foreign bank, which was settled subsequent to the year end.

Set out below is the information about the credit risk exposure on the Company's other financial assets:

As at 31 December 2023	**Non overdue**	**Past due less than 3 months**	**3-6 months**	**More than 6 months**	**Total**
Gross carrying amount	41,215	14,188	14,707	16,849	86,959
Expected credit loss	(817)	(278)	(296)	(348)	(1,739)
Net carrying amount	**40,398**	**13,910**	**14,411**	**16,501**	**85,220**

As at 31 December 2022 majority of the amounts due from clients and counterparties are non overdue.

(thousands of Armenian Drams)

7. Amounts due from clients and counterparties (continued)

Balances of amounts due from clients and counterparties are allocated to Stage 1 and Stage 3. An analysis of changes in the ECL allowances during the year is, as follows:

	Stage 1	*Stage 3*	*Total*
ECL allowance as at 1 January 2023	**13,099**	**5**	**13,104**
Changes in ECL	(11,360)	(5)	**(11,365)**
At 31 December 2023	**1,739**	**–**	**1,739**

	Stage 1	*Stage 3*	*Total*
ECL allowance as at 1 January 2022	**–**	**–**	**–**
Changes in ECL	13,099	5	**13,104**
At 31 December 2022	**13,099**	**5**	**13,104**

8. Borrowings

Borrowings include the following:

	2023	*2022*
Borrowings from third parties	627,803	645,811
Total borrowings	**627,803**	**645,811**

During 2023 and 2022, the Company received interest-free borrowings from third parties, with the nominal amount of 700,000 thousand (2022: 700,000 thousand) and a 360-day repayment period. The borrowings were prolonged by another 1 year period in 2023, resulting in substantial modification and derecognition of the original financial liability,

According to IFRS 9, loans issued with interest rates other than the market interest rates are measured at fair value at the date of issuance. The fair value equals the future interest payments and principal debt discounted with the market interest rate. As at the date of issuance or substantial modification of the borrowing, the market rates for similar term borrowings were equal to 11.5% for 2023 (2022: 10.9%).

The Company recognized the attracted borrowing at fair value of AMD 683,947 thousand as at the date of their substantial modification (2022: AMD 631,540 thousand at the date of receipt). As a result, net gain from initial recognition, derecognition or modification of interest-free borrowings with the total amount of AMD 88,250 thousand was recognized in the statement of profit or loss (2022: AMD 68,460 thousand).

During 2023 and 2022 the Company recognized interest expense on borrowings in the amount of AMD 71,196 thousand and AMD 67,356 thousand respectively (*Note 12*).

9. Amounts due to counterparties

Amounts due to counterparties comprise:

	2023	*2022*
Payables for securities purchased	269,721	430,338
Agent fees payable	2,965	55,616
Prepayments received for selling securities	9,670	49,143
Other liabilities	31	–
Total amounts due to counterparties	**282,387**	**535,097**

The amounts are short-term and have been mostly settled shortly after the reporting period.

(thousands of Armenian Drams)

10. Other liabilities

Other liabilities comprise:	*2023*	*2022*
Lease liabilities	23,975	34,546
Vacation accrual	31,409	9,588
Total other financial liabilities	**55,384**	**44,134**
Taxes payable other than on income	15,542	66,067
Total other non-financial liabilities	**15,542**	**66,067**
Total other liabilities	**70,926**	**110,201**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2023	*2022*
As at 1 January	**34,546**	**5,751**
Modification	–	42,068
Accretion of interest	3,581	3,802
Payment of principal portion of lease liability	(10,571)	(13,273)
Interest paid on lease liability	(3,581)	(3,802)
Amounts due to clients and counterparties	**23,975**	**34,546**

The Company had total cash outflows for leases of AMD 14,152 thousand in 2023 (2022: AMD 17,075 thousand).

11. Equity

Issued capital

As of 31 December 2023 the Company's share capital was AMD 436,815 thousand (2022: AMD 436,815 thousand). The authorized, issued and outstanding share capital comprises 5,139 ordinary shares (2022: 5,139 ordinary shares) with a par value of AMD 85,000 (2022: AMD 85,000) each.

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.

Other components of equity

On 27 April 2020, according to the decision of the Company's founder, AMD 12,000 thousand was invested in other components of equity.

Dividends

During the Shareholders' Meetings convened in November 2023, the Company announced dividends amounting to AMD 1,303,000 thousand (AMD 253,551 per share) out of 2022 profit. Additionally, interim dividends of AMD 651,500 thousand were declared (AMD121,776 per share), reflecting the financial results for six months ended June 30 2023. The dividends were paid in 2023. At the Shareholders' Meeting on 2 May 2022, the Company declared dividends in respect of the year ended 31 December 2021, totalling AMD 31,500 thousand on ordinary shares (AMD 6,130 per share). The dividends were paid in 2022.

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.

(thousands of Armenian Drams)

12. Net interest income

Net interest income comprises:

	2023	*2022*
Financial assets measured at amortized cost		
Cash and cash equivalents	1,234	342
Interest revenue calculated using effective rate	**1,234**	**342**
Trading securities	101,286	123,159
Other interest revenue	**101,286**	**123,159**
Total interest revenue	**102,520**	**123,501**
Interest expense		
Borrowings	70,233	67,356
Interest expense calculated using effective interest rate	**70,233**	**67,356**
Lease liabilities	3,581	3,802
Other interest expense	963	925
Interest expense	**74,777**	**72,083**
Net interest income	**27,743**	**51,418**

13. Credit loss reversal/(expense)

The table below shows the ECL charges for financial instruments recognized in the statement of profit or loss for the year ended 31 December 2023:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	5	1,019	7,210	–	**8,229**
Amounts due from clients and counterparties	7	11,360	–	5	**11,365**
Total credit loss reversal		**12,379**	**7,210**	**5**	**19,594**

The table below shows the ECL charges for financial instruments recognized in the statement of profit or loss for the year ended 31 December 2022:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	5	(1,792)	(7,363)	–	**(9,155)**
Amounts due from clients and counterparties	7	(13,099)	–	(5)	**(13,104)**
Total credit loss expense		**(14,891)**	**(7,363)**	**(5)**	**(22,259)**

14. Net fee and commission income

Net fee and commission income comprise:

	2023	*2022*
Brokerage services	826,351	702,464
Advisory services	125,649	14,978
Depositary services	27,599	6,699
Securities placement	171	650
Fee and commission income	**979,770**	**724,791**
Agent fees	436,136	1,445,249
Other commission expense	109,760	57,808
Services provided by the depositary	49,443	8,349
Fee and commission expense	**595,339**	**1,511,406**
Net fee and commission income/(expense)	**384,431**	**(786,615)**

In the normal course of business, the Company engages external agents to promote its services and increase number of customers. The Company pays certain commission fees to these agents based on fixed percentage applied to net income generated from customers.

(thousands of Armenian Drams)

15. Net trading income

	2023	*2022*
Net realized gain from buying and selling of trading securities	1,150,923	2,300,276
Net gains from changes in the fair value of trading securities	128,239	320,143
Net (losses)/gains from changes in the fair value of derivatives	(48,877)	117,996
Total net trading income	**1,230,285**	**2,738,415**

During 2023 and 2022 the Company recognized foreign exchange translation gains on trading securities in the amount of AMD 43,341 thousand and foreign exchange translation losses on trading securities AMD 239,554 thousand) respectively in Net foreign exchange gain (*Note 16*).

16. Net foreign exchange gain

	2023	*2022*
Net gain from foreign exchange trading activities	435,930	476,292
Net gains/(losses) from foreign exchange translation	555,301	(404,118)
Total net foreign exchange gain	**991,231**	**72,174**

Included in net gains/(losses) from foreign exchange translation are foreign exchange gains on trading securities amounting to AMD 39,780 thousand (2022: AMD239,554 thousand).

17. Personnel expenses

Personnel expenses comprise:

	2023	*2022*
Salaries and bonuses	676,380	432,358
Mandatory pension contributions	13,291	3,775
Social security costs	2,626	926
Total personnel expenses	**692,297**	**437,059**

18. Other general administrative expenses

	2023	*2022*
Utilities and office supplies	39,123	27,878
Legal and consultancy	35,545	63,246
Donations	34,475	–
Communications	25,780	2,952
Representative expenses	17,011	2,328
Non−refundable taxes and fees	15,265	11,457
Depreciation and amortization	14,661	15,624
Terminal installation and testing	–	12,400
Other	6,340	6,668
	188,200	**142,553**

Fees paid to the auditor for the audit of Company's financial statements for the year ended 31 December 2023 amounted to AMD 12,000 thousand (2022: AMD 15,000 thousand). No non-audit services were provided by the Company's external auditor in 2023.

(thousands of Armenian Drams)

19. Income tax expenses

The corporate income tax expense comprises:

	2023 AMD'000	*2022 AMD'000*
Current tax charge	219,063	364,764
Deferred tax credit − origination and reversal of temporary differences	17,486	(6,721)
Income tax expense	**236,549**	**358,043**

The corporate income tax within the Republic of Armenia is levied at the rate of 18% (2022: 18%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for income tax purposes. Deferred income tax is calculated using the principal tax rate of 18%.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2023 AMD'000	*2022 AMD'000*
Profit before tax	**1,866,288**	**1,591,356**
Income tax at the rate of 18%	**335,932**	**286,444**
Tax exempt income	(100,091)	(6,032)
Non-deductible expenses	708	77,631
Income tax expense	**236,549**	**358,043**

Tax exempt income in 2023 and non-deductible expenses in 2022 are mostly represented by foreign exchange translation differences.

Deferred tax assets and liabilities as at 31 December and their movements for the respective years comprise:

	1 January 2022	*Origination and reversal of temporary differences in the statement of profit or loss*	*31 December 2022*	*Origination and reversal of temporary differences in the statement of profit or loss*	*31 December 2023*
Lease liabilities	1,047	5,171	6,218	(1,903)	4,315
Derivative liabilities	−	−	−	10,734	10,734
Provison for expected credit losses on financial assets	−	4,006	4,006	(3,527)	479
Vacation reserve	467	1,259	1,726	3,884	5,610
Deferred tax asset	**1,514**	**10,436**	**11,950**	**9,188**	**21,138**
Property and equipment	(19)	7	(12)	5	(7)
Borrowings	(9,555)	(199)	(9,754)	(3,241)	(12,995)
Trading securities	(9,959)	1,346	(8,613)	(25,962)	(34,575)
Right of use assets	(915)	(4,869)	(5,784)	2,524	(3,260)
Deferred tax liability	**(20,448)**	**(3,715)**	**(24,163)**	**(26,674)**	**(50,837)**
Net deferred tax asset/ liability	**(18,934)**	**6,721**	**(12,213)**	**(17,486)**	**(29,699)**

20. Risk management

Introduction

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.

(thousands of Armenian Drams)

20. Risk management (continued)

(a) Risk management policies and procedures

The risk management policies aim to identify, analyze 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 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) 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. The impact of the possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Credit quality per class of financial assets

The credit quality of financial assets below is managed by the Company based on external credit ratings where available. Not rated exposures are classified in Standard Grade unless they are impaired.

As at 31 December 2023:

	Note		*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
		Stage 1	429,095	1,101,743	–	–	**1,530,838**
Cash and cash equivalents	5	Stage 2	–	–	10,784	–	**10,784**
Amounts due from clients and counterparties	7	Stage 1	–	85,220	–	–	**85,220**
Total			**429,095**	**1,186,963**	**10,784**	**–**	**1,626,842**

As at 31 December 2022:

	Note		*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
	5	Stage 1	1,692,578	–	–	–	**1,692,578**
Cash and cash equivalents		Stage 2	–	–	85,149	–	**85,149**
Amounts due from clients	7	Stage 1	–	808,429	–	–	**808,429**
and counterparties		Stage 3	–	–	–	225	**225**
Total			**1,692,578**	**808,429**	**85,149**	**225**	**2,586,381**

The table below shows the mapping of the Company's grading system and external ratings of the counterparties as at 31 December 2023 and 31 December 2022.

(thousands of Armenian Drams)

20. Risk management (continued)

Introduction (continued)

31 December 2023:

International external rating agency (Moody's) rating	*Internal rating description*	*PD*
Aaa to A3	High grade	0-0.06%
Baa1 to B3	Standard	0.1-4.52%
Caa1 to Ca	Sub-standard grade	6.93-33.62%
D and below	Impaired	100%

31 December 2022:

International external rating agency (Moody's) rating	*Internal rating description*	*PD*
Aaa to A3	High grade	0-0.06%
Baa1 to B3	Standard	0.1-4.6%
Caa1 to Ca	Sub-standard grade	7.06-32.58%
D and below	Impaired	100%

Liquidity risk and companying management

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 tables below summarize the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted repayment obligations.

	31 December 2023				
	Demand and less than 3 month	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
Financial liabilities					
Amounts due to counterparties	282,387	–	–	–	**282,387**
Other financial liabilities	–	31,409	–	–	**31,409**
Derivative liabilities	59,636	–	–	–	**59,636**
Lease liabilities	4,243	19,959	1,465	–	**25,667**
Borrowings	–	700,000	–	–	**700,000**
Total undiscounted financial liabilities	**346,266**	**751,368**	**1,465**	–	**1,099,099**
Gross inflows from derivative instruments	(146,512)	–	–	–	**(146,512)**
Gross ouflows from derivative instruments	206,148	–	–	–	**206,148**
Total undiscounted financial liabilities including derivative financial liabilities	**405,902**	**751,368**	**1,465**	**–**	**1,158,735**

	31 December 2022				
	Demand and less than 3 months	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
Financial liabilities					
Amounts due to counterparties	535,097	–	–	–	**535,097**
Other financial liabilities	–	9,588	–	–	**9,588**
Lease liabilities	4,243	12,729	17,704	–	**34,676**
Borrowings	–	700,000	–	–	**700,000**
Total undiscounted financial liabilities	**539,340**	**722,317**	**17,704**	**–**	**1,279,361**

The Company's accumulated cash balance amounting to AMD 1,541,622 thousand as at 31 December 2023 is sufficient to cover all cash outflows on its outstanding financial liabilities.

(thousands of Armenian Drams)

20. Risk management (continued)

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 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 hedging the positions. The following table breaks down the Company's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December 2023 and 31 December 2022.

	31 December 2023			
	Armenia	***Russia***	***Other***	***Total***
Assets				
Cash and cash equivalents	1,101,741	10,785	429,096	**1,541,622**
Trading securities	475,233	–	348,247	**823,480**
Amounts due from clients and counterparties	7,408	45,866	31,946	**85,220**
	1,584,382	**56,651**	**809,289**	**2,450,322**
Liabilities				
Derivative financial liabilities	–	59,636	–	**59,636**
Amounts due to clients and counterparties	1,440	263,664	17,283	**282,387**
	1,440	**263,664**	**17,283**	**282,387**
Net assets	**1,582,942**	**(207,013)**	**792,006**	**2,167,935**

	31 December 2022			
	Armenia	***Russia***	***Other***	***Total***
Assets				
Cash and cash equivalents	1,186,335	85,149	506,243	**1,777,727**
Trading securities	473,844	309,569	3,942	**787,355**
Amounts due from clients and counterparties	6,504	93,748	708,402	**808,654**
	1,666,683	**488,466**	**1,218,587**	**3,373,736**
Liabilities				
Amounts due to clients and counterparties	3,863	47,559	483,675	**535,097**
	3,863	**47,559**	**483,675**	**535,097**
Net assets	**1,662,820**	**440,907**	**734,912**	**2,838,639**

Other countries as of 31 December 2023 and 31 December 2022 are mostly represented by Austria, Finland, Belgium, Cyprus, United Kingdom and United States.

Price risk

As at 31 December 2023 and 2022, the Company had certain equity instruments quoted on inactive market. 20% increase (20% decrease) in quoted prices of equity securities as at 31 December 2023 and 2022 would result in AMD 34,972 thousand trading gain (loss) recognised in profit or loss (2022: AMD 32,300 thousand gain (loss) respectively).

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity (calculation is based on durations of instruments) to a reasonable possible change in interest rates, with all other variables held constant, of the trading portfolio.

(thousands of Armenian Drams)

20. Risk management (continued)

Market risk (continued)

Currency	*Increase in basis points 31 December 2023*	*Sensitivity of revaluation gains/losses 31 December 2023*
AMD	1.0%	(10,878)
USD	1.0%	(4,088)
EUR	1.0%	(29,404)

Currency	*Decrease in basis points 31 December 2023*	*Sensitivity of revaluation gains/losses 31 December 2023*
AMD	1.0%	10,878
USD	1.0%	4,088
EUR	1.0%	29,404

Currency	*Increase in basis points 31 December 2022*	*Sensitivity of revaluation gains/losses 31 December 2022*
AMD	3.18%	(38,051)
USD	2.18%	(40,706)
EUR	1.36%	(6,641)

Currency	*Decrease in basis points 31 December 2022*	*Sensitivity of revaluation gains/losses 31 December 2022*
AMD	3.18%	38,051
USD	2.18%	40,706
EUR	1.36%	6,641

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

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

AMD'000	*Change in currency rate in % 2023*	*Effect on profit before tax 2023*	*Change in currency rate in % 2022*	*Effect on profit before tax 2022*
Currency				
	32.9%	148,609	21.3%	200,122
EUR	−32.9%	(148,609)	−21.3%	(200,122)
USD	22.47%	326,668	12.6%	136,140
	−22.47%	(327,668)	−12.6%	(136,140)
RUB	49.05%	(118,834)	18.6%	25,682
	−49.05%	118,834	−18.6%	(25,682)

(thousands of Armenian Drams)

20. Risk management (continued)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

21. Fair value measurements

Fair value measurement procedures

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The management considers that the fair values of Company's cash and cash equivalents, amounts due from clients and counterparties, amounts due to counterparties, borrowings and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value hierarchy

For the purpose of fair value disclosures, the Company's has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

	Fair value measurement using			
At 31 December 2023	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets and liabilities measured at fair value				
Financial assets held for trading				
- Trading securities	348,246	475,234	–	**823,481**
- Derivative financial liabilities	–	59,636	–	**59,636**

	Fair value measurement using			
At 31 December 2022	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets and liabilities measured at fair value				
Financial assets held for trading				
- Trading securities	477,786	309,569	–	**787,355**

As at 31 December 2023 foreign government bonds are classified as level 1 in the fair value hierarchy as they are measured at quoted price in an active market.

As at 31 December 2023 derivative financial liabilities were due on demand and were measured as the difference between the amounts receivable from and payable to the counterparty.

As at 31 December 2023 corporate debt and equity trading securities issued in Armenia are classified as level 2 in the fair value hierarchy as they are measured at quoted price in a market that is not active.

As at 31 December 2022 the fair value of trading securities are based on quoted market prices, except corporate bonds (Level 2) issued by Russian companies, which are reflected at purchase price. The management considers that the fair value of these bonds approximates purchase price.

(thousands of Armenian Drams)

22. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See *Note 20* Risk management for the Company's contractual undiscounted repayment obligations.

	2023			*2022*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Cash and cash equivalents	1,541,622	–	**1,541,622**	1,777,727	–	**1,777,727**
Trading securities	823,480	–	**823,480**	787,355	–	**787,355**
Property, equipment and intangible assets	–	40,344	**40,344**	–	41,059	**41,059**
Amounts due from clients and counterparties	85,220	–	**85,220**	808,654	–	**808,654**
Other assets	20,155	–	**20,155**	2,178	–	**2,178**
Total	**2,470,477**	**40,344**	**2,510,821**	**3,375,914**	**41,059**	**3,416,973**
Borrowings	627,803	–	**627,803**	645,811	–	**645,811**
Derivative financial liabilities	59,636	–	**59,636**			
Current income tax liabilities	12,825	–	**12,825**	361,345	–	**361,345**
Deferred tax liabilities	-	29,699	**29,699**	-	12,213	**12,213**
Amounts due to counterparties	282,387	–	**282,387**	535,097	–	**535,097**
Other liabilities	46,950	23,976	**70,926**	75,655	34,546	**110,201**
Total	**1,029,601**	**23,976**	**1,083,276**	**1,617,908**	**46,759**	**1,664,667**
Net	**1,440,876**	**16,368**	**1,427,545**	**1,758,006**	**(5,700)**	**1,752,306**

23. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Compensation of key management personnel was comprised of the following:

	2023	*2022*
Total key management personnel short-term compensation	**188,494**	**80,181**

24. Changes in liabilities arising from financing activities

	Note	*Borrowings*	*Lease liabilities*	*Total liabilities from financing activities*
Carrying amount at 31 December 2021	8, 10	**646,915**	**5,751**	**652,666**
Proceeds from issue		392,817	–	**392,817**
Redemption		(385,293)	(17,075)	**(402,368)**
Foreign currency translation		(7,524)	–	**(7,524)**
Modification		–	42,068	**42,068**
Net gain from initial recognition of interest-free borrowings		(68,460)	–	**(68,460)**
Interest expense		67,356	3,802	**71,158**
Carrying amount at 31 December 2022	8, 10	**645,811**	**34,546**	**680,357**
Proceeds from issue		–	–	**(14,152)**
Redemption – principal		–	(10,571)	**(14,152)**
Redemption - interest		–	(3,581)	
Net gain from initial recognition of interest-free borrowings		(88,241)	–	**(88,241)**
Interest expense		70,233	3,581	**73,814**
Carrying amount at 31 December 2023	8, 10	**627,803**	**23,975**	**651,778**

(thousands of Armenian Drams)

25. Capital management

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholder or return capital to shareholder. No changes were made in the objectives, policies and processes from the previous years.

The equity consists of share capital, retained earnings and other components of equity.

The Central Bank of Armenia sets and monitors capital requirements for the Company. Under the current capital requirements set by the Central Bank of Armenia, 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. The Central Bank of Armenia has set the minimal required total capital for investment companies at AMD 300,000 thousand, the minimal required share capital at AMD 1,000 thousand and a minimum level of the ratio of capital to risk weighted assets is 12%. As of 31 December 2023 and 2022 the Company is in compliance with the statutory capital ratio and other requirements set forth by the Central Bank of Armenia.

26. 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.