Armbrok

ARMBROK OJSC

Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2021

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ARMBROK OJSC

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

Management is responsible for the preparation of the financial statements that present fairly the financial position of Armbrok Open Joint Stock Company (the "Company") as at December 31, 2021, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements of the Company for the year ended December 31, 2021 were approved by management on April 27, 2022.

On behalf of the Management:

Aram Kayfajyan
Chief Executive Officer

Siranush Khlghatyan
Chief Accountant

April 27, 2022
Yerevan, Republic of Armenia

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Armbrok Open Joint Stock Company:

Opinion

We have audited the financial statements of Armbrok Open Joint Stock Company (the "Company"), which comprise the statement of financial position as at December 31, 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, 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' *Code of Ethics for Professional Accountants* (the "IESBA Code")) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Arpine Ghevondyan
Audit Partner

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

April 27, 2022
Yerevan, Republic of Armenia

Deloitte Armenia cjsc

ARMBROK OJSC

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021
In AMD thousands unless otherwise stated

	Notes	December 31, 2021	December 31, 2020
Assets			
Cash and cash equivalents	12	33,549	26,626
Term Deposits	13	97,020	514,803
Financial assets at fair value through profit or loss			
- Held by the Company	14	743,215	1,056,914
- Pledged under repurchase agreements	14	395,878	1,084,985
- Pledged under borrowings from financial institutions	14	76,754	661,799
Financial assets at fair value through OCI			
-Held by the Company	15	148,390	285,834
-Pledged under repurchase agreements	15	11,065,739	13,038,823
-Pledged under borrowings from financial institutions	15	101,230	218,456
Investment in associate	16	139,559	121,490
Investment in joint venture	17	22,833	23,164
Property, equipment and intangible assets	19	206,250	34,437
Right of use assets	20	182,611	211,447
Current income tax assets		1,697	-
Other assets	18	84,989	77,352
Total assets		**13,299,714**	**17,356,130**
Equity			
Share capital	21	267,150	267,150
Share premium		208,011	208,011
Statutory general reserve		79,670	79,670
Financial assets at fair value through OCI reserve		30,551	547,116
Retained earnings		1,633,020	1,754,244
Total equity		**2,218,402**	**2,856,191**
Liabilities			
Amounts due to financial institutions	23	163,692	645,882
Repurchase agreements	22	10,677,662	13,435,487
Current income tax liabilities		-	59,595
Deferred tax liabilities	10	2,965	115,191
Lease liabilities	20	157,675	168,136
Other liabilities	24	51,641	48,776
Provisions		27,677	26,872
Total liabilities		**11,081,312**	**14,499,939**
Total liabilities and equity		**13,299,714**	**17,356,130**

Approved for issuance on April 27, 2022:

Aram Kayfajyan
Chief Executive Officer

Siranush Khlghatyan
Chief Accountant

April 27, 2022
Yerevan, Republic of Armenia

Notes on pages 8-46 form an integral part of these financial statements.

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

	Notes	2021	2020
Interest income	6	1,227,452	1,110,269
Interest expense	6	(944,531)	(612,738)
Net interest income		**282,921**	**497,531**
Fee and commission income	7	247,963	241,690
Fee and commission expense	7	(125,916)	(137,135)
Net fee and commission income		**122,047**	**104,555**
Net gain from financial assets at fair value through profit or loss	8	97,276	168,258
Net (loss)/gain from sale of financial assets at FVTOCI		(137,605)	29,309
Other income		2,487	-
Staff costs		(135,779)	(169,309)
Administrative expenses	9	(98,529)	(77,400)
Share of profits of associate	16	18,069	50,356
Share of results of joint venture	17	(331)	(836)
Net charge of loss allowance	28	(527)	(23,584)
Profit before income tax		**150,029**	**578,880**
Income tax expense	10	(30,818)	(84,468)
Profit for the year		**119,211**	**494,412**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on investments measured at FVTOCI		(767,562)	(445,576)
Less: Cumulative gain/(loss) on investments in reclassified to profit or loss upon sale		137,605	(29,309)
Income tax effects of the movement in other comprehensive income		113,392	85,479
Other comprehensive loss, net of tax		**(516,565)**	**(389,406)**
Total comprehensive (loss)/income for the year		**(397,354)**	**105,006**
Earnings per share			
Basic and diluted	11	0.45	1.85

Notes on pages 8-46 form an integral part of these financial statements.

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

	Notes	Share capital	Share premium	Statutory general reserve	Financial assets at fair value through OCI reserve	Retained earnings	Total
Balance at January 1, 2020		267,150	208,011	79,670	936,522	1,493,588	**2,984,941**
Profit for the year		-	-	-	-	494,412	**494,412**
Other comprehensive loss for the year, net of income tax		-	-	-	(389,406)	-	**(389,406)**
Total comprehensive income for the year		**-**	**-**	**-**	**(389,406)**	**494,412**	**105,006**
Dividends declared	21	-	-	-	-	(233,756)	**(233,756)**
Balance at December 31,2020	21	**267,150**	**208,011**	**79,670**	**547,116**	**1,754,244**	**2,856,191**
Profit for the year		-	-	-	-	119,211	**119,211**
Other comprehensive loss for the year, net of income tax		-	-	-	(516,565)	-	**(516,565)**
Total comprehensive (loss)/income for the year		**-**	**-**	**-**	**(516,565)**	**119,211**	**(397,354)**
Dividends declared	21	-	-	-	-	(240,435)	**(240,435)**
Balance at December 31, 2021	21	**267,150**	**208,011**	**79,670**	**30,551**	**1,633,020**	**2,218,402**

Notes on pages 8-46 form an integral part of these financial statements.

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

	Notes	2021	2020
Cash flows from operating activities			
Interest received		1,241,030	1,190,995
Interest paid		(918,289)	(596,215)
Fee and commissions received		214,098	229,146
Fee and commissions paid		(122,200)	(108,885)
Other operating income		825	1,024
Salary and other related payments		(106,170)	(126,452)
Other operating expenses paid		(103,184)	(147,841)
Cash flows from operating activities before changes in operating assets and liabilities		**206,110**	**441,772**
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets			
Deposits		393,000	(468,000)
Reverse repurchase agreements		-	10,723
Investments in securities		3,076,944	(6,623,303)
Other assets		15,812	3,817
Increase/(decrease) in operating liabilities			
Amounts due to financial institutions		(452,856)	445,392
Repurchase agreements		(2,703,675)	6,603,648
Other liabilities		(5,926)	(1,343)
Net cash flow from operating activities before income tax		**529,409**	**412,706**
Income tax paid		(90,944)	(116,168)
Net cash from operating activities		**438,465**	**296,538**
Cash flows from investing activities			
Purchase of property and equipment and intangibles	19	(150,808)	(770)
Investment in joint venture	17	-	(24,000)
Net cash used in investing activities		**(150,808)**	**(24,770)**
Cash flows from financing activities			
Payments for leases	20	(34,000)	(50,500)
Dividends paid		(231,695)	(223,484)
Net cash used in financing activities		**(265,695)**	**(273,984)**
Net increase/(decrease) in cash and cash equivalents		**21,962**	**(2,216)**
Cash and cash equivalents at beginning of the year	12	26,848	60,022
Effect of foreign exchange fluctuations on cash and cash equivalents		(14,660)	(30,958)
Cash and cash equivalents at end of the year	12	**34,150**	**26,848**

Notes on pages 8-46 form an integral part of these financial statements.

1. REPORTING ENTITY

“Armbrok” OJSC (the Company), is an investment company regulated by the legislation of RA. The Company was registered on 4 November 2008 by the Central Bank of Armenia under license number 10. “Armbrok” OJSC is an Armenian open joint stock company as defined in the Civil Code of the Republic of Armenia. Following the rebranding by the Company “Armbrok” OJSC replaced previously used “Armenbrok” OJSC.

As at December 31, 2021 and 2020, the ultimate controlling party of the Company was Aram Kayfajyan.

The Company carries out its activities in the securities and foreign currency markets, in particular:

- securities placements;
- trust management of securities;
- securities brokerage and dealing;
- registrar and depository services;
- consultations on securities market;
- non-cash foreign currency trading operations.

The Company’s registered office is 39 Hanrapetutyan street, 0010, Yerevan, Republic of Armenia.

Number of employees as at December 31, 2021 was 19 (December 31, 2020: 22).

2. STATEMENT OF COMPLIANCE

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs).

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Company maintains its accounting records in accordance with requirements of the Armenian legislation. The Company makes adjustments and reclassifications for the preparation and presentation of the financial statements in accordance with IFRS.

These financial statements have been prepared on the historical cost basis, except for as discussed below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 and IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 28.

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on net loss, shareholders' equity of comparative period.

Functional and presentation currency

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

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

The principal accounting policies are set out below. Accounting policies presented herein have been consistently applied throughout the entire periods presented in these financial statements.

Foreign currency transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognized in comprehensive income in the month when they arise.

Foreign currency revaluation gains and losses are reported on a net basis in ‘the net gain/(loss) from financial assets at fair value through profit or loss’ line item.

The exchange rates used by the Company in the preparation of the financial statements as at year-end are as follows:

	Average Rate		Spot Rate	
	2021	2020	December 31, 2021	December 31, 2020
AMD/1 US Dollar	503.20	489.31	480.14	522.59
AMD/1 Euro	595.18	559.30	542.61	641.11

Financial Instruments

Financial assets and financial liabilities are recognised in the Company’s statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. 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.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'interest income' line item.

Debt instruments classified as at FVTOCI

The government bonds held by the Company are classified as at FVTOCI. The government bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these government bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these government bonds had been measured at amortised cost. All other changes in the carrying amount of these government bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these government bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together;
- and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the ‘finance income – interest income’ line item in profit or loss.

The Company has not designated the investments in equity instruments that are not held for trading as at FVTOCI on initial recognition.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI to are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called ‘accounting mismatch’) that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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 to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'net gain/(loss) from FAaFVtPL' line item.

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 that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in 'net gain/(loss) from FAaFVtPL' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'net gain/(loss) from FAaFVtPL' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- 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 gain/(loss) from FAaFVtPL' line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, term deposits, bank accounts, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired 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 that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) a significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

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.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that 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 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 is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

There is no other contractual arrangements stating that both the Company and other shareholder of Invest in AM CJSC have interests in its assets, they are not liable for its liabilities in a specific proportion and there is no additional agreement to specifically segregate operational and strategic management. The analysis performed confirms that Invest in AM CJSC is a joint venture between the Company and other shareholder (Note 17).

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Company retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Company accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Company reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Security transactions and related investment income

Securities transactions are accounted for on trade date (date securities are purchased or sold). Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date. The securities that represent unit holdings in investment funds are transacted at net asset value per unit as published or reported by the respective funds.

In the statement of profit or loss and other comprehensive income net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, and where applicable includes interest and dividend income. The gain or loss from units held in funds reflects the changes in net asset values per units held.

Short term employee benefits

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax. The tax currently payable is based on taxable profit for the year. Taxable profit before tax differs reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year. Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Expenditure to replace a component of an item of property and equipment, that is accounted for separately, is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits are expected to arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in profit or loss as incurred.

Depreciation is recognised so as to write off the cost less their residual values over their useful lives, using the straight-line method. 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 and equipment for the current and comparative periods are as follows. Land is not depreciated.

Leasehold improvements	20 years
Communication devices and computers	1-5 years
Motor Vehicles	8 years
Other	1-8 years
Intangible assets	5 years

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term or renew the lease term.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leases

(a) The Company as lessee

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

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

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by

discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

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

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

(b) The Company as Lessor

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

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

4. ADOPTION OF NEW AND REVISED STANDARDS

New and amended IFRS Standards that are effective for the current year

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

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

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

NEW AND REVISED IFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

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

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

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

Amendments to IFRS 1, IFRS 9, IAS 41; and illustrative examples accompanying IFRS 16	*Annual Improvements to IFRS 2018-2020 cycles*	*Effective for annual reporting periods beginning on or after 1 January 2022*
IFRS 17 (including the June 2020 Amendments to IFRS 17)	*Insurance Contracts*	*Effective for annual reporting periods beginning on or after 1 January 2023*
Amendments to IFRS 3	*Reference to the Conceptual Framework*	*Effective for annual reporting periods beginning on or after 1 January 2022*

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

5. USE OF ESTIMATES AND JUDGEMENTS

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

Fair value measurements

Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year relate to accounting for financial instruments, particularly fair value measurements. The best evidence of fair value is price quotations in an active market. In the absence of quoted prices in an active market, the Management uses other evaluation techniques, such as the comparative approach with similar instruments both in the internal and external markets. See notes 14, 15, 27.

Impairment loss allowance

The Company regularly reviews its financial assets at fair value through other comprehensive income, cash and cash equivalents and other assets to assess for impairment. The Company’s impairment provisions are established to recognize incurred impairment losses in its balances. Details of allowances against these assets are presented in note 28.

Lease liabilities and right-of-use assets

Application of IFRS 16 requires management to use judgement in determining the appropriate lease term for determination of respective lease liabilities. The general contractual lease terms of the applicable lease contracts spreads to 5 years with possible prolongation terms. In determining the appropriate lease terms management has applied the 10 year lease term.

6. NET INTEREST INCOME

	2021	2020
Interest income:		
Financial assets at fair value through other comprehensive income	1,193,621	1,034,615
Interest income from bank accounts and deposits	28,154	62,335
Reverse repurchase agreements	-	10,723
Other assets	5,677	2,596
Total interest income	**1,227,452**	**1,110,269**
Interest expense:		
Repurchase agreements	(905,596)	(586,649)
Borrowings from financial institutions	(15,396)	(17,963)
Interest expense on lease liabilities	(23,539)	(8,126)
Total interest expense	**(944,531)**	**(612,738)**
Net interest income	**282,921**	**497,531**

7. FEE AND COMMISSION INCOME AND EXPENSE

	2021	2020
Fee and commission income:		
Maintenance of securities registry	80,929	81,374
Securities registration	77,071	55,624
Securities account opening and maintenance	35,701	34,993
Securities placement and pricing	26,197	41,549
Depositary services	17,534	4,769
Brokerage services	6,532	16,016
Other commission income	3,999	7,365
Total fee and commission income	**247,963**	**241,690**
Fee and commission expense:		
Services provided by the depositary	(117,118)	(105,310)
Stock exchange commission	(3,105)	(3,075)
Other commission expense	(5,693)	(28,750)
Total fee and commission expense	**(125,916)**	**(137,135)**
Net fee and commission income	**122,047**	**104,555**

8. NET GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
Net change in fair values	115,855	151,124
Net (loss)/gain from FX revaluation	(18,579)	17,134
Net gain on financial assets at fair value through profit or loss	**97,276**	**168,258**

9. ADMINISTRATIVE EXPENSES

	2021	2020
Depreciation	28,979	15,865
Professional services	22,589	9,832
Office utility expense	16,933	8,564
Operating lease expense	16,100	19,320
Taxes other than income tax	5,298	3,806
Advertising expenses	3,844	589
Representative expenses	1,753	674
Communication expenses	1,623	1,747
Travel and trainings	746	-
Donations given	462	16,580
Other	202	423
Total administrative expenses	**98,529**	**77,400**

10. INCOME TAX

	2021	2020
Current income tax expense	29,652	79,925
Deferred tax benefit	1,166	4,543
Total income tax expense	**30,818**	**84,468**

The Company measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the RA, which may differ from IFRS.

The Company is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.
Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2021 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 18% payable by entities in the RA on taxable profits (as defined) under tax law in that jurisdiction. (2020: 18%).

	2021		2020	
Profit before income tax	**150,029**		**578,880**	
Tax at the statutory tax rate	27,005	18.0%	104,198	18.0%
Non-taxable income	(1,272)	(0.8%)	(21,615)	(3.7%)
Permanent difference on tax appeal provision	-	-	4,892	0.8%
Non-taxable expense	1,741	1.2%	77	0.0%
FX loss/(gain) revaluation	3,344	2.2%	(3,084)	(0.5%)
Income tax expense	**30,818**	**20.6%**	**84,468**	**14.6%**

Deferred tax calculation in respect of temporary differences as at December 31, 2021 and 2020 is as follows:

	January 1, 2021	Recognised in profit and loss	Recognised in other comprehensive income	December 31, 2021
Other liabilities	4,411	(917)	-	3,494
Other assets	(52)	(38)	-	(90)
Cash and cash equivalents	(33)	(75)	-	(108)
Right of use assets	138	(4,626)	-	(4,488)
Investment securities	(119,655)	4,490	113,392	(1,773)
Net deferred tax liability	**(115,191)**	**(1,166)**	**113,392**	**(2,965)**

	January 1, 2020	Recognised in profit and loss	Recognised in other comprehensive income	December 31, 2020
Other liabilities	3,855	556	-	4,411
Other assets	35	(87)	-	(52)
Cash and cash equivalents	37	(70)	-	(33)
Right of use assets	-	138	-	138
Investment securities	(209,140)	4,006	85,479	(119,655)
Net deferred tax liability	**(205,213)**	**4,543**	**85,479**	**(115,191)**

11. EARNINGS PER SHARE

	December 31, 2021	December 31, 2020
Profit for the year	119,211	494,412
Weighted average number of shares	267,150	267,150
Earnings per share - basic and diluted	**0.45**	**1.85**

12. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Cash on hand	3,513	534
Current accounts	30,637	26,314
Less: allowance for impairment losses	(601)	(222)
Total cash and cash equivalents	**33,549**	**26,626**

None of the balances are past due or impaired.

Allowance for impairment losses is recognised as per IFRS 9 adoption requirements and represents Stage 1 asset-related allowance. A reconciliation of the impairment loss allowance by stages in accordance with IFRS 9 is as follows:

	2021		2020	
	Stage 1	Total	Stage 1	Total
Impairment loss allowance at January 1	222	**222**	206	**206**
Charge for the year	379	**379**	16	**16**
Impairment loss allowance at December 31	**601**	**601**	**222**	**222**

13. TERM DEPOSITS

	December 31, 2021	December 31, 2020
Principal amount of deposits made	75,000	468,000
Accrued interests on deposits	22,020	46,803
Total term deposits	**97,020**	**514,803**

Term deposits held in local banks as at December 31, 2021 and December 31, 2020 represent AMD balances held with one local bank, which bear 9% interest rate until 2023.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2021	December 31, 2020
Debt Instruments		
Corporate debt instruments	778,444	2,298,305
Total debt instruments	**778,444**	**2,298,305**
Equity Instruments		
Fund units held	393,451	462,065
Corporate equity instruments	43,952	43,328
Total equity investments	**437,403**	**505,393**
Total financial assets at fair value through profit or loss	**1,215,847**	**2,803,698**

Corporate debt securities represent securities issued by companies operating in the Republic of Armenia bearing fixed coupon interest rates between 5% to 11 % p.a. (2020: 5% to 11.5% p.a.) and maturing between 2022-2023 (2020: 2021 to 2024). The fair value of these instruments is measured using valuation techniques applying current market rates to discounted future cash flows or quoted prices.

Investments in fund units represent unit holdings in funds under the Company's associate's investment management. These units are carried at Company's share of the net asset value of the funds as at reporting date.

As at December 31, 2021 financial assets at fair value through profit or loss represented by corporate debt securities in the amount of AMD 76,754 thousand (December 31, 2020: AMD 661,799 thousand) are pledged with financial institutions that provide borrowings or credit facilities to the Company.

As at December 31, 2021 financial assets at fair value through profit or loss in the amount of AMD 395,878 thousand (December 31, 2020: AMD 1,084,985 thousand) are pledged under repurchase agreements with local banks.

Pledged assets are discussed in notes 22 and 23. Fair value measurements are presented in note 27.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2021	December 31, 2020
Held by the Company		
Debt instruments		
Government securities of the Republic of Armenia	148,390	285,834
	148,390	**285,834**
Debt instruments pledged under borrowings from financial institutions and repurchase agreements		
Government securities of the Republic of Armenia pledged under borrowings	101,230	218,456
Government securities of the Republic of Armenia pledged under repurchase agreements	11,065,739	13,038,823
Total securities pledged	**11,166,969**	**13,257,279**
Total financial assets at fair value through other comprehensive income	**11,315,359**	**13,543,113**

Government debt securities represent securities issued by the Ministry of Finance of Armenia bearing fixed coupon interest rates between 6.5% to 13 % p.a. (2020: 6.5% to 13% p.a.) and expiring between 2022-2047 (2020: 2021 to 2036). The fair value of these instruments is measured using valuation techniques applying current market rates to discounted future cash flows or quoted prices.

Fair value measurements are presented in note 27.

16. INVESTMENT IN ASSOCIATE

	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Company as at December 31, 2021	2020
Glocal CJSC	Fund Manager	Yerevan, Armenia	33%	33%

In 2018 the Company made an investment in newly incorporated Glocal cjsc, whose primary operations comprise of non-public fund management services. Summarised financial information in respect of this investment is set out below, prepared from the associate's IFRS financial statements.

"Glocal" CJSC	December 31, 2021	December 31, 2020
Balance at the beginning of the period	121,490	71,134
Company's share of the associate's profit for the year	18,069	50,356
Total	**139,559**	**121,490**

"Glocal" CJSC	2021	2020
Revenue	101,144	177,301
Profit and other comprehensive income for the year	50,662	154,443

17. INVESTMENT IN JOINT VENTURE

Details of the Company's joint venture at the end of the reporting period are as follows:

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Company December 31, 2021	December 31, 2020
Invest in AM CJSC	Consulting firm	Yerevan, Armenia	50%	50%

Invest in AM CJSC	December 31, 2021	December 31, 2020
Balance at the beginning of the period	23,164	-
Initial Investment	-	24,000
Company's share of the joint venture's loss for the year	(331)	(836)
Total	**22,833**	**23,164**

On 17 August, 2020 Armbrok OJSC and Hovsep Patvakanian have established a legal entity with the name Invest in AM registered at 39, Hanrapetutyun street, Armenia. The authorized capital of Invest in AM is defined AMD 48,000 thousand, which is divided into 10,000 shares, each with a nominal value of AMD 4,800. Invest in Am is a private consulting company which helps investors with offers and Armenian exporting companies with potential buyers. Invest in AM is principally engaged in developing a platform for startup projects.

The above joint venture is accounted for using the equity method in these financial statements as set out in the Company's accounting policies in Note 3.

18. OTHER ASSETS

	December 31, 2021	December 31, 2020
Other financial assets		
Loans to employees	48,347	12,634
Receivables on services provided	41,471	49,845
Short term lease receivables	1,666	-
Less: allowance for impairment loss	(7,718)	(7,538)
	83,766	**54,941**
Other non-financial assets		
Prepayments for PPE	-	21,148
Other	1,223	1,263
	1,223	**22,411**
Total other assets	**84,989**	**77,352**

Allowance for impairment losses is recognised as per IFRS 9 adoption requirements and represents Stage 1 asset-related allowance. A reconciliation of the impairment loss allowance by stages in accordance with IFRS 9 is as follows:

	December 31, 2021	December 31, 2020
Beginning of year	7,538	7,414
Charge for the year	180	124
Closing balance at the end of the year	**7,718**	**7,538**

19. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Leasehold improvements	Communication devices and computers	Motor Vehicles	Other	Intangible assets	Total
Cost						
At January 1, 2020	**-**	**17,152**	**49,927**	**25,802**	**8,652**	**101,533**
Additions	-	196	-	354	-	**550**
Disposals through merger	-	(100)		(14)	(285)	**(399)**
At December 31, 2020	**-**	**17,248**	**49,927**	**26,142**	**8,367**	**101,684**
Transfer (Note 20)	8,546	-	-	-	-	**8,546**
Additions	109,465	597	-	61,894	-	**171,956**
Write-offs	-	(9,396)		(13,090)	(2,000)	**(24,486)**
At December 31, 2021	**118,011**	**8,449**	**49,927**	**74,946**	**6,367**	**257,700**
Accumulated depreciation						
At January 1, 2020	**-**	**16,735**	**18,512**	**15,975**	**7,769**	**58,991**
Depreciation charge	-	492	5,835	1,529	400	**8,256**
At December 31, 2020	**-**	**17,227**	**24,347**	**17,504**	**8,169**	**67,247**
Depreciation charge	508	38	5,839	2,106	198	**8,689**
Write-offs	-	(9,396)	-	(13,090)	(2,000)	**(24,486)**
At December 31, 2021	**508**	**7,869**	**30,186**	**6,520**	**6,367**	**51,450**
Net book value						
At January 1, 2020	**-**	**417**	**31,415**	**9,827**	**883**	**42,542**
At December 31, 2020	**-**	**21**	**25,580**	**8,638**	**198**	**34,437**
At December 31, 2021	**117,503**	**580**	**19,741**	**68,426**	**-**	**206,250**

At December 31, 2021 property and equipment included fully depreciated assets with original cost of AMD 10,418 thousand (2020: AMD 26,843 thousand).

20. RIGHT OF USE ASSETS

	Buildings	Leasehold improvements (in progress)	Total
Cost			
Balance at January 1, 2020	-	-	**-**
Additions	210,510	8,546	**219,056**
Balance at December 31, 2020	**210,510**	**8,546**	**219,056**
Transfer (Note 19)	-	(8,546)	**(8,546)**
Balance at December 31, 2021	**210,510**	**-**	**210,510**
Accumulated depreciation			
Balance at January 1, 2020	-	-	**-**
Depreciation expense	7,609	-	**7,609**
Balance at December 31, 2020	**7,609**	**-**	**7,609**
Depreciation expense	20,290	-	**20,290**
Balance at December 31, 2021	**27,899**	**-**	**27,899**
Carrying amount			
January 1, 2020	**-**	**-**	**-**
December 31, 2020	**202,901**	**8,546**	**211,447**
December 31, 2021	**182,611**	**-**	**182,611**

Impact on profit or loss	**2021**	**2020**
Impact on profit/(loss) for the year		
Increase in depreciation of right-of-use asset	20,290	7,609
Increase in finance costs	23,539	8,126
Decrease in profit for the year	**43,829**	**15,735**

Lease liabilities

Maturity analysis:	**2021**	**2020**
Year 1	34,000	34,000
Year 2	34,000	34,000
Year 3	34,000	34,000
Year 4	34,000	34,000
Year 5	34,000	34,000
Year 6 and beyond	102,000	136,000
	272,000	**306,000**
Less: unearned interest	(114,325)	(137,864)
	157,675	**168,136**
Analysed as:		
Non-current	145,750	142,263
Current	11,925	25,873
	157,675	**168,136**

Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities. Interest expense paid was classified as operating activity in the statement of cash flows.

	January 1, 2021	**Recognized during the year**	**Net proceeds /repayments - cash flows**	**Interest expense**	**December 31, 2021**
Lease liabilities	168,136	-	(34,000)	23,539	157,675
	168,136	**-**	**(34,000)**	**23,539**	**157,675**

	January 1, 2020	**Recognized during the year**	**Net proceeds /repayments - cash flows**	**Interest expense**	**December 31, 2020**
Lease liabilities	-	210,510	(50,500)	8,126	168,136
	-	**210,510**	**(50,500)**	**8,126**	**168,136**

21. EQUITY

As of December 31, 2021 and 2020 the Company's registered and paid-in share capital was AMD 267,150 thousand represented by 267,150 ordinary shares of AMD 1,000 each. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share. The share capital of the Company was contributed by the participants in Armenian Drams and they are entitled to dividends and any capital distribution in Armenian Drams. In 2021 AMD 240,435 thousand dividends were declared and paid (2020: AMD 233,756 thousand).

The respective shareholders at December 31, 2021 and December 31, 2020 were as follows:

	December 31, 2021		December 31, 2020	
	Paid-in share capital	% of total paid in capital	Paid-in share capital	% of total paid in capital
Aram Kayfajyan	115,943	43.39%	115,943	43.39%
GERMAN CAUCASIAN TRADING LTD	72,934	27.30%	72,934	27.30%
Ashot Chagharyan	27,000	10.11%	27,000	10.11%
Other shareholders	51,273	19.20%	51,273	19.20%
	267,150	**100.00%**	**267,150**	**100.00%**

The Company's distributable reserves among participants are limited to the amount of its accumulated retained earnings as disclosed in its statutory accounts in accordance with the legislation of the RA. Non-distributable reserves are represented by a main reserve fund, which is created as required by the statutory regulations, in respect of general risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Charter of the Company and its subsidiary that provide for the creation of a reserve for these purposes a minimum of 15% of Share capital.

22. TRANSFERS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Repurchase agreements

	December 31, 2021	December 31, 2020
Fair value of own financial assets at fair value through other comprehensive income transferred and pledged under repurchase agreements	11,065,739	13,038,823
Fair value of own financial assets at fair value through profit or loss transferred and pledged under repurchase agreements	395,878	1,084,985
Total financial assets transferred and pledged under repurchase agreements	**11,461,617**	**14,123,808**
Carrying amount of associated liabilities	**10,677,662**	**13,435,487**

23. DUE TO FINANCIAL INSTITUTIONS

	December 31, 2021	December 31, 2020
Loans and overdrafts from financial institutions	163,692	645,882
Total amounts due to financial institutions	**163,692**	**645,882**

Amounts due to financial institutions bear fixed interest rates from 0.52 % to 9.45 % and maturity from February 2022 to December 2022 (December 31, 2020: 3 % to 3.5 % and mature from January 2021 to February 2021). These liabilities are denominated in Armenian drams and US dollars, see Note 28. The overdraft facilities as per signed agreements are available through to 2023.

Financial assets pledged against amounts due to financial institutions, represented by government and corporate bonds, at December 31, 2021 amounted to AMD 177,984 thousand (December 31, 2020: AMD 880,255 thousand).

24. OTHER LIABILITIES

	December 31, 2021	December 31, 2020
Other financial liabilities:		
Due to personnel	19,408	26,028
Accounts payable	12,136	9,587
	31,544	**35,615**
Other non-financial liabilities:		
Prepayments received	11,725	7,571
Tax payable, other than income tax	8,372	5,590
	20,097	**13,161**
Total other liabilities	**51,641**	**48,776**

25. RELATED PARTIES TRANSACTIONS

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of the present financial statements, related parties include the parent Company, ultimate shareholders, funds under management, the Company’s management as well as other persons and enterprises related with and controlled by them respectively.

As at December 31, 2021 and 2020, the ultimate controlling party of the Company was Aram Kayfajyan who is also the Chief Executive Officer of the Company. Transactions with Aram Kayfajyan are presented under ‘*Key management personnel*’ category below.

Related party transactions, outstanding balances at the year end, and related expense and income for the reporting years were as follows:

	December 31, 2021			
	Shareholders and entities under common control of the shareholders	Key management personnel	Funds under Company's associate's management	Other
Statement of profit or loss and other comprehensive income				
Income				
Fee and commission income	6,746	37	4,945	-
Other income (sub-lease)	2,013	-	-	-
Interest income	-	5,560	-	-
Expenses				
Interest expense	-	-	-	(11,499)
Administrative and other expenses	(13,596)	-	-	-
Net loss from investments measured at FVTPL	-	-	(48,187)	-
Statement of financial position				
Loans to employees/Other assets	2,206	47,465	-	-
Prepayments received/Other liabilities	(811)	-	(4)	-
Investments in fund units	(9)	-	393,451	-

	December 31, 2020		
	Shareholders and entities under common control of the shareholders	Key management personnel	Funds under Company's associate's management
Statement of profit or loss and other comprehensive income			
Income			
Fee and commission income	151	-	3,288
Other income (lease)	750	-	-
Interest income	2,309	416	-
Expenses			
Administrative and other expenses	(14,569)	-	-
Net gain from FVTPL	-	-	47,581
Statement of financial position			
Loans to employees/Other assets	-	12,003	-
Prepayments received/Other liabilities	(940)	-	-
Investments in fund units	-	-	462,065

Key management compensation for the year amounted to AMD 90,196 thousand (2020: AMD 100,206 thousand).

26. CONTINGENT LIABILITIES

Tax and legal matters

The taxation system in Armenia is characterized by frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, different interpretations exist among various taxation authorities and jurisdictions.

Often tax authorities claim additional taxes for transactions and accounting methods, for which they did not claim previously. As a result additional fines and penalties could arise. Tax review can include 3 calendar years immediately preceding the year of a review. In certain circumstances tax review can include earlier periods. Management believes that the Company has complied with all regulations and has adequately settled all its tax liabilities.

Management also believes that the ultimate liability, if any, arising from legal actions and complaints taken against the Company, will not have a material adverse impact on the financial condition or results of future operations of the Company.

Market making

The Company provides market-making services to local financial institutions and corporates. In accordance with RA Stock Exchange regulations on market-making services for securities under market-making agreements, the Company has an obligation to keep a minimum of 1% of the total corporate debt securities in issue in its portfolio (2020: 0.5%). As at December 31, 2021 the Company had a commitment to sell those securities in the amount AMD 81,719 thousand (December 31, 2020: AMD 92,487 thousand) if such requests were made in the market. Similarly, the Company has an obligation to purchase the equivalent amount upon such request in the market.

Insurance

The insurance industry in 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 business interruption, or for third party liability in respect of property or environmental damage arising from accidents on Company's property or relating to Company's 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 the Company's operations and financial position.

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Because of the short term nature of most financial assets and financial liabilities, management believes that their carrying amounts approximate their fair values. For certain other financial assets and financial liabilities, fair values are determined for measurement based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability, however given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Financial assets/financial liabilities	Fair value as at December 31, 2021	Fair value as at December 31, 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
- Government debt securities	11,315,359	13,543,113	Level 2	Discounted cash flows. The predetermined cash flows are discounted at a rate that reflects market yield for specific time to maturity.	N/A	N/A
- Corporate debt securities	778,444	2,298,305	Level 2	Quoted prices in a market that is not active	N/A	N/A
- Equity securities	43,952	43,328	Level 2	Quoted prices in a market that is not active	N/A	N/A
- Unit holdings in Funds under management and managed externally	393,451	462,065	Level 2	Net asset value of respective funds as published by the Funds	N/A	N/A
	12,531,206	**16,346,811**				

Management applies judgment in categorizing financial instruments using the fair value hierarchy. The significance of a valuation input is assessed against the fair value measurement in its entirety.

During the period ended December 31, 2021 and 2020 there were no transfers between Level 1 and Level 2.

The fair values of Government debt securities included in the Level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties, ranging from 8.3%-10.1% (2020: 6%-9.1%).

Fair value of financial assets and liabilities not measured at fair value on recurring basis

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

28. RISK MANAGEMENT

Introduction and overview

The Company’s business activities expose it to a variety of financial risks, including market, credit, liquidity risks and non-financial risks, including technology, operations, legal, and reputational risks. Identification and management of these risks are essential to the success and financial soundness of the Company. This note presents information about the Company’s exposure to these risks, its objectives, policies and processes for measuring and managing risks.

The Company takes an active role in the risk management process and has policies and procedures under which specific business and control units are responsible for identifying, measuring, and controlling various risks. Oversight of risk management is delegated to the Executive management of the Company's, which is responsible for reviewing and monitoring risk exposures and leading the continued development of risk management policies and practices. The specific areas include:

- credit and market risk, focusing on credit exposures resulting from taking positions in certain securities.
- information security and privacy, focusing on information security and privacy policies, procedures and controls
- investment management, focusing on activities in which the Company's and its principals operate in an investment advisory capacity
- operational risk management, focusing on risks relating to potential inadequate or failed internal processes, people and systems, and from external events and relationships (e.g., vendors and business partners).

Management has written policies and procedures that govern the conduct of business by employees, relationships with clients and the terms and conditions of relationships with counterparties. The client related policies address the client participation in funds, data and physical security, compliance with industry regulation and codes of ethics to govern employee and advisor conduct among other matters.

Risk is inherent in the Company's business. Consequently, despite efforts to identify areas of risk and implement risk management policies and procedures, there can be no assurance that the Company will not suffer unexpected losses due to operating or other risks.

a. Financial risk management

Financial risks are risks arising from financial instruments to which the Company is exposed during or at the end of the reporting period. Financial risk comprises market risk, credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Credit risk

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

Financial assets subject to IFRS 9's impairment requirements

The Company's financial assets subject to the expected credit loss model within IFRS 9 are Financial assets at fair value through other comprehensive income, cash and cash equivalents, staff loans and other receivables. A reconciliation of the provision for impairment for the year ended December 31, 2021 is as follows:

	Investment securities at fair value through other comprehensive income	Cash and cash equivalents	Other assets	Total
Impairment loss allowance at January 1, 2020	**7,954**	**206**	**7,414**	**15,574**
Net charge of provision for impairment	23,444	16	124	**23,584**
Impairment loss allowance at January 1, 2021	**31,398**	**222**	**7,538**	**39,158**
Net charge/(recovery) of provision for impairment	(32)	379	180	**527**
Impairment loss allowance at December 31, 2021	**31,366**	**601**	**7,718**	**39,685**

There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

The Company has adopted the simplified approach for the IFRS 9 ECL model. The loss allowance shown is therefore based on 12-month ECLs using the Moody's probability of default based on the current counterparty's Moody's rating if applicable, and the Country's rating if not applicable.

Financial assets not subject to IFRS 9's impairment requirements

The Company is exposed to credit risk on debt instruments, money market funds and similar securities and derivative assets. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FTVPL. The carrying value of these assets, under IFRS 9 represents the Company's maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The Company bears credit risk primarily on investing activities and bank balances. The Company seeks to control its credit risks by applying monitored investment strategy as well as sound selecting of servicing banking partners. The Company may enter into secured financing transactions such as sale and repurchase agreements (repo agreements) or purchase and resale agreements (reverse repo agreements). For secured transactions involving repurchase and resale agreements the Company is permitted to sell or repledge the securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover any short positions.

The Company has responsibility for the oversight of credit risk and is responsible for management of the Company's credit risk, including formulating credit policies, covering collateral requirements, credit assessment, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, and by issuer, credit rating band, market liquidity and country. Management does not have an internal credit rating system and manages the credit risk by regularly reviewing asset quality, defining and amending where necessary the risk appetite by using, among other things, policies on limits, specific approvals for large transactions.
As at December 31, 2021 and 2020 credit risk exposure of financial assets are presented in the table below:

	December 31, 2021	December 31, 2020	Country	Credit rating
Cash and cash equivalents	33,549	26,626	Armenia	Unrated
Term deposits	97,020	514,803	Armenia	Unrated
Financial assets at fair value through profit or loss	1,215,847	2,803,698	Armenia	B1-B2, Unrated
Financial assets at fair value through other comprehensive income	11,315,359	13,543,113	Armenia	Unrated
Other assets	83,766	54,941	Armenia	Unrated
	12,745,541	**16,943,181**		

As at December 31, 2021 and December 31, 2020 all the financial assets and liabilities are with counterparties within RA.

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company maintains excess liquidity in the form of overnight cash deposits and short-term investments to cover daily funding needs. Factors which affect the cash position and cash flows include investment activity in securities, capital transactions and other factors. The combination of these factors can cause significant fluctuations in the cash position during specific time periods.

The Company's policy to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions.

In the table below the financial assets and liabilities, as recognised in the statement of financial position as at December 31, 2021 and 2020, are presented based on their discounted contractual cash flows. Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms. Management holds a portfolio of securities that are liquid and can be used to meet outflows of financial liabilities. Management estimates that undiscounted cash flows for financial liabilities approximate the information presented in the table below and is not separately presented.

Management holds a portfolio of securities that are liquid and can be used to meet outflows of financial liabilities, and hence has classified these as on demand in its liquidity risk analysis.

	December 31, 2021						
	Carrying amount	**Less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No maturity**
Financial assets							
Cash and cash equivalents	**33,549**	33,549	-	-	-	-	-
Term deposits	**97,020**	-	-	-	97,020	-	-
Financial assets at fair value through:							
Profit or loss	**1,215,847**	778,444	-	-	-	-	437,403
Other comprehensive income	**11,315,359**	11,315,359	-	-	-	-	-
Other financial assets	**83,766**	1,656	-	-	48,083	-	34,027
Total financial assets	**12,745,541**	**12,129,008**	**-**	**-**	**145,103**	**-**	**471,430**
Financial liabilities							
Repurchase agreements	**10,677,662**	10,677,662	-	-	-	-	-
Due to financial institutions	**163,692**	163,692	-	-	-	-	-
Other liabilities	**31,544**	-	-	-	-	-	31,544
Lease liabilities	**157,675**	-	-	11,925	66,832	78,918	-
Total financial liabilities	**11,030,573**	**10,841,354**	**-**	**11,925**	**66,832**	**78,918**	**31,544**
Net position	**1,714,968**	**1,287,654**	**-**	**(11,925)**	**78,271**	**(78,918)**	**439,886**

	December 31, 2020						
	Carrying amount	**Less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No maturity**
Financial assets							
Cash and cash equivalents	**26,626**	26,626	-	-	-	-	-
Term Deposits	**514,803**	-	-	-	514,803	-	-
Financial assets at fair value through:							
Profit or loss	**2,803,698**	2,298,305	-	-	-	-	505,393
Other comprehensive income	**13,543,113**	13,543,113	-	-	-	-	-
Other financial assets	**54,941**	-	-	12,569	-	-	42,372
Total financial assets	**16,943,181**	**15,868,044**	**-**	**12,569**	**514,803**	**-**	**547,765**
Financial liabilities							
Repurchase agreements	**13,435,487**	13,435,487	-	-	-	-	-
Due to financial institutions	**645,882**	645,882	-	-	-	-	-
Other liabilities	**35,615**	-	-	-	-	-	35,615
Lease liabilities	**168,136**	-	-	10,461	58,624	99,051	-
Total financial liabilities	**14,285,120**	**14,081,369**	**-**	**10,461**	**58,624**	**99,051**	**35,615**
Net position	**2,658,061**	**1,786,675**	**-**	**2,108**	**456,179**	**(99,051)**	**512,150**

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Company's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company manages its investment inventory by product type and on a daily basis.

Interest rate risk

The Company is exposed to the risk that the fair value or income / future cash flows of its financial instruments portfolio will fluctuate as a result of fluctuations in market interest rates. In respect of the Company's interest-bearing financial instruments, the Company's policy is to transact in financial instruments that mature such that they best correspond to the maturity of financial liabilities. Nevertheless, the impact of interest rate risk can be high due to fluctuations in the prevailing levels of market interest rate.

Interest income is affected by changes in the volume and mix of these assets as well as by fluctuations in interest rates and portfolio management strategies. When interest rates fall, the Company may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields. A summary of the interest rate gap position for financial instruments at December 31, 2021 and 2020 are as follows:

	December 31, 2021						
	Carrying amount	**Less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Non-interest bearing**
Financial assets							
Cash and cash equivalents	**33,549**	7,981	-	-	-	-	25,568
Term Deposits	**97,020**	-	-	-	97,020	-	-
Financial assets at fair value through:							
Profit or loss	**1,215,847**	778,444	-	-	-	-	437,403
Other comprehensive income	**11,315,359**	11,315,359	-	-	-	-	-
Other financial assets	**83,766**	1,656	-	-	48,083	-	34,027
Total financial assets	**12,745,541**	**12,103,440**	**-**	**-**	**145,103**	**-**	**496,998**
Financial liabilities							
Repurchase agreements	**10,677,662**	10,677,662	-	-	-	-	-
Due to financial institutions	**163,692**	163,692	-	-	-	-	-
Other liabilities	**31,544**	-	-	-	-	-	31,544
Lease liabilities	**157,675**	-		11,925	66,832	78,918	-
Total financial liabilities	**11,030,573**	**10,841,354**	**-**	**11,925**	**66,832**	**78,918**	**31,544**
Net position	**1,714,968**	**1,262,086**	**-**	**(11,925)**	**78,271**	**(78,918)**	**465,454**

	December 31, 2020						
	Carrying amount	**Less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Non-interest bearing**
Financial assets							
Cash and cash equivalents	**26,626**	15,321	-	-	-	-	11,305
Term Deposits	**514,803**	-	-	-	514,803	-	-
Financial assets at fair value through:							
Profit or loss	**2,803,698**	2,298,305	-	-	-	-	505,393
Other comprehensive income	**13,543,113**	13,543,113	-	-	-	-	-
Other financial assets	**54,941**	-	-	12,569	-	-	42,372
Total financial assets	**16,943,181**	**15,856,739**	**-**	**12,569**	**514,803**	**-**	**559,070**
Financial liabilities							
Repurchase agreements	**13,435,487**	13,435,487	-	-	-	-	-
Due to financial institutions	**645,882**	645,882	-	-	-	-	-
Other liabilities	**35,615**	-	-	-	-	-	35,615
Lease liabilities	**168,136**	-	-	10,461	58,624	99,051	-
Total financial liabilities	**14,285,120**	**14,081,369**	**-**	**10,461**	**58,624**	**99,051**	**35,615**
Net position	**2,658,061**	**1,775,370**	**-**	**2,108**	**456,179**	**(99,051)**	**523,455**

As none of the cash flows from Company's financial instruments as at December 31, 2021 and 2020 are linked to floating interest rates, the Company does not prepare and present interest rate risk sensitivity analysis due to no impact on profit or loss or equity in this respect.

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

	December 31, 2021		December 31, 2020	
In % p.a.	**AMD**	**USD**	**AMD**	**USD**
Interest bearing assets	10.45%	3.15%	10.66%	6.08%
Interest bearing liabilities	8.81%	2.85%	5.42%	2.90%

Foreign currency risk

Foreign currency risk arises in respect of those recognized monetary financial assets and liabilities that are not in the functional currency of the Company.

The table below summarizes the exposure to foreign currency exchange rate risk as at December 31, 2021 and 2020:

	December 31, 2021				
	Armenian Drams	US Dollars	EURO	RUB	Total
Assets					
Cash and cash equivalents	25,426	2,029	5,334	760	**33,549**
Term Deposits	97,020	-	-	-	**97,020**
Financial assets at fair value through profit or loss	566,661	649,186	-	-	**1,215,847**
Financial assets at fair value through other comprehensive income	11,315,359	-	-	-	**11,315,359**
Other financial assets	83,766	-	-	-	**83,766**
Total	**12,088,232**	**651,215**	**5,334**	**760**	**12,745,541**
Liabilities					
Repurchase agreements	10,367,878	309,784	-	-	**10,677,662**
Due to financial institutions	30,603	133,089	-	-	**163,692**
Other financial liabilities	31,544	-	-	-	**31,544**
Lease liabilities	157,675	-	-	-	**157,675**
Total	**10,587,700**	**442,873**	**-**	**-**	**11,030,573**
Net position	**1,500,532**	**208,342**	**5,334**	**760**	**1,714,968**

	December 31, 2020				
	Armenian Drams	US Dollars	EURO	RUB	Total
Assets					
Cash and cash equivalents	25,160	629	27	810	**26,626**
Term Deposits	514,803	-	-	**-**	**514,803**
Financial assets at fair value through profit or loss	744,886	2,058,812	-	**-**	**2,803,698**
Financial assets at fair value through other comprehensive income	13,543,113	-	-		**13,543,113**
Other financial assets	54,941	-	-		**54,941**
Total	**14,882,903**	**2,059,441**	**27**	**810**	**16,943,181**
Liabilities					
Repurchase agreements	12,206,087	1,229,400	-	**-**	**13,435,487**
Due to financial institutions	37,288	608,594	-	**-**	**645,882**
Other financial liabilities	35,615	-	-	**-**	**35,615**
Lease liabilities	168,136	-	-	**-**	**168,136**
Total	**12,447,126**	**1,837,994**	**-**	**-**	**14,285,120**
Net position	**2,435,777**	**221,447**	**27**	**810**	**2,658,061**

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

	Profit or loss / Equity	
	Weakening	Strengthening
AMD 20% movement against US dollar		
December 31, 2021	10,417	(10,417)
December 31, 2020	11,072	(11,072)

b. Operational risk

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation. The primary responsibility for the development and implementation of controls over operational risk rests with the Executive management of the Company. In order to reduce this risk, the internal processes are always monitored, processes that pose risk are automated as much as possible, in addition reserve technical and programming system capabilities are utilized, information is frequently copied and saved in a separate location in order to restore it at any time, where possibly an important two party process is taking place or for checking and verification purposes.

c. Capital risk management

The Company manages its capital to ensure it is able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The adequacy of the Company's capital is monitored using, among other measures, the ratios established by the CBA. During the past year, the Company had complied with all its externally imposed capital requirements.

d. Non-financial risk management

Technology and operating risk. The Company faces technology and operating risk which is the potential for loss due to deficiencies in control processes or technology systems of the Company, its vendors or its outsourced service providers that constrain the ability to gather, process, and communicate information and process transactions efficiently and securely, without interruptions. This risk also includes the risk of human error, employee misconduct, external fraud, computer viruses, distributed denial of service attacks, terrorist attacks, and natural disaster. The Company's operations are highly dependent on the integrity of its technology systems and success depends, in part, on the ability to make timely enhancements and additions to its technology in anticipation of evolving client needs. To the extent the Company experiences system interruptions, errors or downtime, business and operations could be significantly negatively impacted. To minimize business interruptions, the Company maintains backup and recovery functions, including facilities for backup and communications, and conducts testing of disaster recovery plans.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. The Company maintains policies and procedures regarding the standard of care expected with data, whether the data is internal information, employee information, or non-public client information. The Company clearly defines for employees, contractors and vendors the expected standards of care for confidential data. Regular training is provided in regard to data security.
Despite risk management efforts, it is not always possible to deter or prevent technological or operational failure, or fraud or other misconduct, and the precautions taken by the Company may not be effective in all cases. The Company may be subject to litigation, losses, and regulatory actions in such cases, and may be required to expend significant additional resources to remediate vulnerabilities or other exposures.

Regulatory risks.

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

As a participant in the securities, asset management markets, the Company is subject to extensive regulation by governmental agencies and supervisory authorities. These regulatory agencies generally have broad discretion to prescribe greater limitations on the operations of a regulated entity for the protection of investors or public interest. As investment adviser the Company is also subject to regulatory requirements relating to fiduciary duties to clients, performance fees, maintaining an effective compliance program, solicitation arrangements, conflicts of interest, advertising, limitations on agency cross and principal transactions between the advisor and advisory clients, recordkeeping and reporting requirements, disclosure requirements and general anti-fraud provisions.

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

29. FINANCIAL INSTRUMENTS BY CATEGORY

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

	December 31, 2021			
	Financial assets at amortised cost	**Financial assets at fair value through other comprehensive income**	**Financial assets at fair value through profit or loss**	**Total**
Financial Assets				
Cash and cash equivalents	33,549	-	-	**33,549**
Term Deposits	97,020	-	-	**97,020**
Financial assets at fair value through profit or loss	-	-	1,215,847	**1,215,847**
Financial assets at fair value through other comprehensive income	-	11,315,359	-	**11,315,359**
Other financial assets	83,766	-	-	**83,766**
Total financial assets	**214,335**	**11,315,359**	**1,215,847**	**12,745,541**
Financial Liabilities				
Amounts due to financial institutions	163,692	-	-	**163,692**
Repurchase agreements	10,677,662	-	-	**10,677,662**
Other financial liabilities	31,544	-	-	**31,544**
Lease liabilities	157,675	-	-	**157,675**
Total financial liabilities	**11,030,573**	**-**	**-**	**11,030,573**

	December 31, 2020			
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial Assets				
Cash and cash equivalents	26,626	-	-	**26,626**
Term Deposits	514,803	-	-	**514,803**
Financial assets at fair value through profit or loss	-	-	2,803,698	**2,803,698**
Financial assets at fair value through other comprehensive income	-	13,543,113	-	**13,543,113**
Other financial assets	54,941	-	-	**54,941**
Total financial assets	**596,370**	**13,543,113**	**2,803,698**	**16,943,181**
Financial Liabilities				
Amounts due to financial institutions	645,882	-	-	**645,882**
Repurchase agreements	13,435,487	-	-	**13,435,487**
Other financial liabilities	35,615	-	-	**35,615**
Lease liabilities	168,136	-	-	**168,136**
Total financial liabilities	**14,285,120**	**-**	**-**	**14,285,120**

30. SUBSEQUENT EVENTS

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

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