

**C-QUADRAT Ampega  
Asset Management Armenia LLC**

**Financial Statements  
for the year ended 31 December 2023**

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## Statement on Management’s Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2023

Management is responsible for the preparation of the financial statements that present fairly the financial position of C-QUADRAT Ampega Asset Management Armenia LLC (the “Company” or “C-QUADRAT”) as of 31 December 2023, and the results of its operations, cash flows and changes in shareholders’ equity for the year then ended, in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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.

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 IFRS Accounting Standards 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 Accounting Standards;
- Maintaining statutory accounting records in compliance with Country legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Company for the year ended 31 December 2023 were approved by management on 25 April 2024.

On behalf of the Management:



Arman Vardanyan  
Chief Executive Officer



Isabella Adilkhanyan  
Chief Financial & Operating Officer



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# Independent Auditors' Report

## To the Board of Directors of C-QUADRAT Ampega Asset Management Armenia LLC

### Opinion

We have audited the financial statements of C-QUADRAT Ampega Asset Management Armenia LLC (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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

### Basis for Opinion

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

### Responsibilities of Management 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 IFRS Accounting Standards, 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.

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is:

  
Irina Gevorgyan  
Managing Partner, Director of KPMG Armenia LLC  
  
KPMG Armenia LLC  
25 April 2024






## Statement of Financial Position as at 31 December 2023

'000 AMD	Note	31 December 2023	31 December 2022
<b>Assets</b>			
Cash and cash equivalents	12	129,657	16,591
Bank deposit	13	766,034	702,714
Financial assets at fair value through profit or loss	17	2,227,654	1,436,815
Property, equipment and intangible assets	10	113,458	132,720
Right-of-use asset	20	132,295	165,335
Deferred tax assets	9	30,618	22,234
Other assets	11	367,531	265,441
<b>Total assets</b>		<b>3,767,247</b>	<b>2,741,850</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	14	650,000	650,000
Retained earnings		2,309,989	1,473,630
<b>Total equity</b>		<b>2,959,989</b>	<b>2,123,630</b>
<b>Liabilities</b>			
Bank overdraft		-	15,000
Lease liability	20	141,607	168,019
Income tax payables		293,513	199,606
Payables and accrued expenses	16	372,138	235,595
<b>Total liabilities</b>		<b>807,258</b>	<b>618,220</b>
<b>Total equity and liabilities</b>		<b>3,767,247</b>	<b>2,741,850</b>

## Statement of Profit or Loss and Other Comprehensive Income for 2023

'000 AMD	Note	2023	2022
Income from management fees	6	3,713,490	2,822,521
Interest income		17,841	7,976
Other income		214	6,724
Net gain/(loss) on financial assets at fair value through profit or loss	18	260,839	(165,577)
Fee and commission income		1,580	887
Fee and commission expense	7	(287,419)	(267,965)
Net loss from trading in foreign currencies		(8,841)	(9,925)
Foreign exchange translation gain		54,237	36,759
Interest expense on lease liabilities	20	(16,539)	(14,557)
Other operating expenses	8	(1,592,271)	(1,215,165)
<b>Profit before tax</b>		<b>2,143,131</b>	<b>1,201,678</b>
Income tax expense	9	(353,772)	(248,556)
<b>Profit and total comprehensive income for the year</b>		<b>1,789,359</b>	<b>953,122</b>

These financial statements were approved by the Management on 25 April 2024 and were signed on its behalf by:

 <hr/> Arman Vardanyan Chief Executive Officer		 <hr/> Isabella Adilkhanyan Chief Financial & Operating Officer
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## Statement of Changes in Equity for 2023

'000 AMD	Share capital	Retained earnings	Total shareholders' equity
Balance as at 31 December 2021	650,000	1,302,508	1,952,508
Total comprehensive income for the year	-	953,122	953,122
Dividends declared (Note 14)	-	(782,000)	(782,000)
<b>Balance as at 31 December 2022</b>	<b>650,000</b>	<b>1,473,630</b>	<b>2,123,630</b>
Total comprehensive income for the year	-	1,789,359	1,789,359
Dividends declared (Note 14)	-	(953,000)	(953,000)
<b>Balance as at 31 December 2023</b>	<b>650,000</b>	<b>2,309,989</b>	<b>2,959,989</b>

## Statement of Cash Flows for 2023

'000 AMD	Note	2023	2022
<b>Cash flows from operating activities</b>			
Management fees received		3,612,954	2,787,656
Fee and commission received		1,580	-
Interest received		13,731	7,602
Salaries and related expenses paid		(463,364)	(339,395)
Commission expenses paid		(286,988)	(264,885)
Operations with foreign currencies		(8,841)	(9,925)
Prepayments, operating expenses paid		(926,476)	(760,843)
Income taxes paid		(268,249)	(218,450)
<b>Net cash from operating activities</b>		<b>1,674,347</b>	<b>1,201,760</b>
<b>Cash flows from investing activities</b>			
Investments in financial assets at fair value through profit or loss		(530,000)	(300,000)
Purchase of property and equipment		(14,481)	(108,728)
Disposal of property and equipment		-	2,449
Proceeds from sale of financial assets at fair value through profit or loss		-	680,001
Investments in term deposit		(868,328)	(689,423)
Repayment of term deposit		847,476	-
<b>Net cash used in investing activities</b>		<b>(565,333)</b>	<b>(415,701)</b>
<b>Cash flows from financing activities</b>			
Lease liability principal repayment	20	(26,412)	(21,623)
Interest payment on lease liability		(16,539)	(14,557)
Dividends paid	14	(953,000)	(782,000)
Proceeds from short term borrowings		-	15,000
Repayment of short-term borrowings		(15,000)	-
<b>Net cash used in financing activities</b>		<b>(1,010,951)</b>	<b>(803,180)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>98,063</b>	<b>(17,121)</b>
Cash and cash equivalents at beginning of the year		16,591	16,526
Effect of exchange rate fluctuations on cash and cash equivalents		15,003	17,186
<b>Cash and cash equivalents at end of the year</b>	12	<b>129,657</b>	<b>16,591</b>

## Notes to the Financial Statements for 2023

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## **1. Reporting entity**

### **(a) Organisation and operations**

C-QUADRAT Ampega Asset Management Armenia LLC (“Company”) was established on 29 November 2013 under the laws of the Republic of Armenia. The Company is registered in the Central Bank of the Republic of Armenia (CBA) as Investment funds manager and was given License N3. The Company’s registered office is 37 Hanrapetutyán Street, Yerevan, Republic of Armenia.

Regulating bodies of “C-QUADRAT Ampega Asset Management Armenia” LLC are Shareholders’ General Assembly, Supervisory Board and Chief Executive Officer Arman Vardanyan. As at 31 December 2023 the Company had 13 employees (2022: 12 employees).

The Company conducts investment and pension funds’ management activities based on the legislation of the Republic of Armenia and Central Bank of Armenia license.

The management’s remuneration is assigned by the decision of the corresponding governing body. The Company has a Board, which conducts the overall governance of the company’s operations, except for questions that are the sole responsibility of the General Meeting of Shareholders’ according to the RA Law on Limited Liability Companies.

The shareholders of the Company are “C-QUADRAT Investment AG” (74.9%), office located at Stubenring 20, 1070 Vienna, Austria, (registration number FN 55148a), and “Talanx Asset Management” GmbH (25.1%), registered in Charles de Gaulle Platz 1, Germany 50679, Köln, (registration number HRB 61047). More information disclosed in Note 14.

The shares of “C-QUADRAT Investment AG” belong to Cubic (London) Limited (United Kingdom) (100.00%). Shares of Cubic (London) Limited (United Kingdom) belong to MVJ GmbH & Co KG (74.9 %) and other four minor shareholders. The ultimate controlling parties of the Company, which have more than 20% effective shareholding, are Alexander Schütz & Family (38% in MVJ GmbH & Co KG) and Cristobal Mendez de Vigo zu Loewenstein (38% in MVJ GmbH & Co KG).

The Company is a fund manager and operates the following mandatory pension and investment funds:

- C-QUADRAT Ampega Fixed Income Pension Fund
- C-QUADRAT Ampega Conservative Pension Fund
- C-QUADRAT Ampega Balanced Pension Fund
- CQ Armenia Growth Investment Fund
- C-QUADRAT Ampega Social Investment Fund (founded in 2023)

### **(b) Armenian business environment**

The Company’s operations are conducted in Armenia. Consequently, the Company and its assets are exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, currency, tax and regulatory frameworks continue development and are subject to varying interpretations and frequent changes, which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia. Additionally, the breakout of armed conflict in Nagorno-Karabakh in September 2020 followed by cease-fire arrangement over disputed Nagorno-Karabakh territories has led to a social unrest in Armenia. In spite of the existence of the cease fire arrangement, the military forces of Armenia and Azerbaijan have been engaged in border conflict, which has also increased the level of uncertainty in the business environment. In December 2022, Azerbaijan initiated a blockade of Nagorno-Karabakh, followed by a significant military offensive in September 2023, which ultimately led to the surrender of the Nagorno-Karabakh authorities. Consequently, Nagorno-Karabakh officially disbanded on

1 January 2024, marking the conclusion of the conflict of Nagorno-Karabakh. Nevertheless, the situation between Armenia and Azerbaijan continues to be tense due to ongoing disagreements regarding the delimitation of borders between Armenia and Azerbaijan.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

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

As investment manager 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.

Financial institutions generally must have anti-money laundering procedures in place, implement specialized employee training programs and designate an anti-money laundering compliance officer. Further, regulatory activity in the areas of privacy and data protection continues to grow worldwide and is generally being driven by the growth of technology and related concerns about the rapid and widespread dissemination and use of information. To the extent they are applicable to the Company, it must comply with these global, federal, and local information-related laws and regulations. Management has established policies, procedures and systems designed to comply with these regulations.

### **(c) Regulatory environment**

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

## **2. Basis of accounting**

### **Statement of compliance**

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

## **3. Functional and presentation currency**

The national currency of the Republic of Armenia is the Armenian Dram ("AMD"), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in AMD has been rounded to the nearest thousand, except when otherwise indicated.

## 4. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 19 – Fair value and risk management.

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.

### *Measurement of fair values*

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

## 5. Changes in material accounting policies

### **Material accounting policy information**

The Company adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 26 Material Accounting Policies (2022: Significant accounting policies) in certain instances in line with the amendments.

## 6. Income from management fees

The Company receives management fees from the funds under its management. The management fee is accrued daily at a specified annual rate on the net asset value of the funds. The rates for management fees are specified in the respective fund rules.

<b>'000 AMD</b>	<b>2023</b>	<b>2022</b>
<b>Funds under management</b>		
C-QUADRAT Ampega Conservative Pension Fund – P	3,478,973	2,654,197
C-QUADRAT Ampega Fixed Income Pension Fund – P	179,117	15,842
C-QUADRAT Ampega Balanced Pension Fund – P	21,867	24,915
CQ Armenia Growth Investment Fund	33,533	127,567
<b>Total income from management fees</b>	<b>3,713,490</b>	<b>2,822,521</b>

## 7. Fees and commission expense

<b>'000 AMD</b>	<b>2023</b>	<b>2022</b>
State Depository fees	282,666	263,921
Fees and commission to international banks	3,405	2,520
Fees and commission to local banks and others	1,348	1,524
<b>Total fees and commission expenses</b>	<b>287,419</b>	<b>267,965</b>

## 8. Other operating expenses

<b>'000 AMD</b>	<b>2023</b>	<b>2022</b>
Professional services	641,027	488,342
Salaries	425,871	346,870
Taxes other than on income	142,978	117,378
Donations*	122,742	11,190
Communication, marketing and related services	75,191	94,700
Depreciation and amortization	67,180	50,006
Business trips and other personnel expenses	15,923	9,433
Audit fee	15,600	12,600
Other	85,759	84,646
<b>Total other operating expenses</b>	<b>1,592,271</b>	<b>1,215,165</b>

\* Donations include a provision expense of AMD 100 mln of merit-based scholarships for those relocated children from Artsakh who enroll in A-level or equivalent high-school programs (see Note 16).

## 9. Income taxes

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 Republic of Armenia where the Company operates, 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 31 December 2023 and 2022 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

### Amounts recognised in profit or loss

The Company's applicable tax rate is the income tax rate of 18% (2022: 18%).

<b>'000 AMD</b>	<b>2023</b>	<b>2022</b>
Current income tax recognized in profit or loss	362,156	254,422
Deferred tax credit due to origination and reversal of temporary differences recognized in profit or loss	(8,384)	(5,866)
<b>Income tax expense</b>	<b>353,772</b>	<b>248,556</b>

### Reconciliation of income tax is as follows:

Profit before income tax	2,143,131	1,201,678
Income tax at statutory income tax rate of 18%	385,764	216,302
(Non-taxable income)/non-deductible expense from net gain/loss on financial assets as fair value through profit or loss	(46,951)	29,804
Non-deductible income from net foreign exchange translation	(9,763)	(6,617)
Non-deductible expenses related to donation	20,422	-
Other non-deductible expenses	4,300	9,067
<b>Income tax expense at the effective income tax rate of 16.51% (2022: 20.68%)</b>	<b>353,772</b>	<b>248,556</b>
	<b>16.51%</b>	<b>20.68%</b>

Calculation of deferred tax on temporary differences is as follows:

<b>'000 AMD</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Deferred tax assets, including:</b>		
Right-of-use asset/Lease liability	1,676	484
Unused vacation reserve	12,575	12,587
Bonus reserve	12,400	6,850
Payable for professional services	2,592	2,592
Property and equipment	1,375	(279)
<b>Total deferred tax assets</b>	<b>30,618</b>	<b>22,234</b>

Change in deferred tax assets for the year ended 31 December 2023 and 31 December 2022 of AMD 8,384 thousand and AMD 5,866 thousand, respectively, were recognized in profit or loss.

## 10. Property, equipment and intangible assets

'000 AMD	Office equipment	Computer equipment	Other office equipment	Leasehold improvements	Vehicles	Computer software	Total
<i>Cost</i>							
<b>At 31 December 2021</b>	30,886	19,075	4,051	4,792	28,100	2,081	88,985
Additions	42,867	7,448	3,200	55,048	-	440	109,003
Disposals	(11,974)	(312)	-	-	-	(1,545)	(13,831)
<b>At 31 December 2022</b>	<b>61,779</b>	<b>26,211</b>	<b>7,251</b>	<b>59,840</b>	<b>28,100</b>	<b>976</b>	<b>184,157</b>
Additions	4,445	5,929	3,891	553	-	205	15,023
Disposals	(146)	-	-	-	-	-	(146)
<b>At 31 December 2023</b>	<b>66,078</b>	<b>32,140</b>	<b>11,142</b>	<b>60,393</b>	<b>28,100</b>	<b>1,181</b>	<b>199,034</b>
<i>Depreciation and amortization</i>							
<b>At 31 December 2021</b>	19,092	8,544	567	3,766	7,551	1,608	41,128
Depreciation and amortization charge	4,291	8,631	2,454	3,484	3,512	623	22,995
Disposals	(10,829)	(312)	-	-	-	(1,545)	(12,686)
<b>At 31 December 2022</b>	<b>12,554</b>	<b>16,863</b>	<b>3,021</b>	<b>7,250</b>	<b>11,063</b>	<b>686</b>	<b>51,437</b>
Depreciation and amortization charge	9,813	8,310	2,251	9,840	3,513	417	34,144
Disposals	(5)	-	-	-	-	-	(5)
<b>At 31 December 2023</b>	<b>22,362</b>	<b>25,173</b>	<b>5,272</b>	<b>17,090</b>	<b>14,576</b>	<b>1,103</b>	<b>85,576</b>
<i>Carrying amount</i>							
<b>At 31 December 2021</b>	<b>11,794</b>	<b>10,531</b>	<b>3,484</b>	<b>1,026</b>	<b>20,549</b>	<b>473</b>	<b>47,857</b>
<b>At 31 December 2022</b>	<b>49,225</b>	<b>9,348</b>	<b>4,230</b>	<b>52,590</b>	<b>17,037</b>	<b>290</b>	<b>132,720</b>
<b>At 31 December 2023</b>	<b>43,716</b>	<b>6,967</b>	<b>5,870</b>	<b>43,303</b>	<b>13,524</b>	<b>78</b>	<b>113,458</b>

## 11. Other assets

'000 AMD	<u>31 December 2023</u>	<u>31 December 2022</u>
Management fees receivable	357,977	257,441
<b>Total financial assets</b>	<b>357,977</b>	<b>257,441</b>
Prepayments given for goods and services	1,623	1,269
Other	7,931	6,731
<b>Other non-financial assets</b>	<b>9,554</b>	<b>8,000</b>
<b>Total other assets</b>	<b>367,531</b>	<b>265,441</b>

For the purpose of ECL measurement other financial assets balances are included in Stage 1. The loss allowance for ECL is immaterial as at 31 December 2023 and 2022.

## 12. Cash and cash equivalents

Cash and cash equivalents in the amounts of AMD 129,657 thousand and AMD 16,591 thousand as at 31 December 2023 and 2022, respectively, are held in banks operating in the Republic of Armenia and other countries. For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The loss allowance for ECL is immaterial as at 31 December 2023 and 2022.

## 13. Bank deposits

Terms and conditions of outstanding bank deposits are as follows:

'000 AMD	Currency	Nominal interest rate	Year of maturity	<u>2023</u>		<u>2022</u>	
				Face value	Carrying amount	Face value	Carrying amount
Bank deposit	EUR	0.75%	2023	-	-	702,714	702,714
Bank deposit	EUR	2.00%	2024	766,034	766,034	-	-

For the purpose of ECL measurement bank deposit balance is included in Stage 1. The loss allowance for ECL is immaterial as at 31 December 2023.

The Company's exposure to currency and credit risks is disclosed in Note 19.

## 14. Capital and reserves

Company's share capital equals AMD 650,000 thousand, which consists of 650,000 shares. Nominal amount of each share equals AMD 1,000. Company's share capital is fully paid by its shareholders.

The shareholders of the Company are "C-QUADRAT Investment AG", registered at Schottenfeldgasse 20, 1070 Vienna, Austria, registration number FN 55148a and "Talanx Asset Management" GmbH, registered at Charles-de-Gaulle-Platz 1, Germany, 50679 Cologne, registration number HRB 61047.

Share of each shareholder in Company’s share capital is as following:

<b>Shareholder</b>	<b>Shareholding</b>	<b>%</b>
“C-Quadrat Investment AG”	486,850	74.90%
“Talanx Asset Management” GmbH	163,150	25.10%
<b>Total share capital</b>	<b>650,000</b>	<b>100%</b>

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

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 Republic of Armenia.

As at 31 December 2023 the Company had accumulated earnings in the amount of AMD 2,309,989 thousand (31 December 2022: accumulated earnings of AMD 1,473,630 thousand).

On 31 May 2023 the Company declared dividends in the amount of AMD 953,000 thousand gross of withholding tax. The dividends were paid on 23 June 2023 for total amount of AMD 905,350 thousand (EUR 2,110 thousand) thousand and the withholding tax was paid in amount of AMD 47,650 thousand. During 2022 declared gross dividends were in the amount of AMD 782,000 thousand. The dividends were paid on 16 June 2022 for total amount of AMD 742,900 thousand (EUR 1,652 thousand) and the withholding tax was paid in amount of AMD 39,100 thousand.

## **15. Capital management**

The Company manages its capital to ensure that it will be able to continue as a going concern, while maximizing the return to its stakeholders. The capital structure of the Company consists of equity, comprising issued capital, and retained earnings as disclosed in statement of changes in equity. The Company’s overall capital risk management policy remained unchanged during 2023 and 2022.

The adequacy of the Company’s capital is monitored using, among other measures, the prudential standards established by the CBA. According to the CBA regulation 10/02 the minimum size of the total regulatory capital of the Company should not be less than AMD 500,000 thousand, calculated on an average daily basis per calendar month. According to the CBA regulation 10/02 if the net asset value of the portfolio managed by the mandatory pension fund manager exceeds AMD one hundred billion, the minimum amount of the total capital of the mandatory pension fund manager shall amount to the sum of AMD five hundred million and 0.02 percent of the amount, exceeding AMD one hundred billion.

## 16. Payables and accrued expenses

'000 AMD	31 December 2023	31 December 2022
<b>Other financial liabilities</b>		
Payables for professional services	76,994	56,322
Depository fees payable	24,446	24,113
Other payables	659	5,295
	<b>102,099</b>	<b>85,730</b>
<b>Other non-financial liabilities</b>		
Donation provision*	100,000	-
Unused vacation reserve	69,862	69,931
Bonus reserve	68,887	38,060
Other accruals	31,290	41,874
<b>Total other non-financial liabilities</b>	<b>270,039</b>	<b>149,865</b>
<b>Total payables and accrued expenses</b>	<b>372,138</b>	<b>235,595</b>

\* As of the end of the reporting period donation agreement is signed with Armenian General Benevolent Union Non-profit corporation for providing AMD 100 mln of merit-based scholarships for those relocated children from Artsakh who enroll in A-level or equivalent high-school programs.

## 17. Financial assets at fair value through profit or loss

'000 AMD	31 December 2023	31 December 2022
Units held in funds managed by the Company:		
C-QUADRAT Ampega Conservative Pension Fund – P	2,017,851	1,325,614
C-QUADRAT Ampega Balanced Pension Fund – P	62,692	53,757
CQ Armenia Growth Investment Fund	57,976	27,126
C-QUADRAT Ampega Social Investment Fund	54,938	-
C-QUADRAT Ampega Fixed Income Pension Fund – P	34,197	30,318
<b>Total financial assets at fair value through profit or loss</b>	<b>2,227,654</b>	<b>1,436,815</b>

See also Note 18.

## 18. Net gain/(loss) on financial assets at fair value through profit or loss

'000 AMD	2023	2022
Net gain/(loss) on fair value change of units held in funds	260,839	(165,577)
<b>Total net gain/(loss) on financial assets at fair value through profit or loss</b>	<b>260,839</b>	<b>(165,577)</b>

## 19. Fair value and risk management

### (a) Fair values of financial instruments

This note provides information about how the Company determines fair values of various financial assets and financial liabilities.

#### *Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2023	31 December 2022		
Financial assets at fair value through profit or loss:				
Units in Funds	2,227,654	1,436,815	Level 2	Latest published net asset value per unit as at reporting date

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.

#### *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)*

Because of the short-term nature of financial assets and financial liabilities that are not measured at fair value on a recurring basis, management believes that their carrying amounts approximate their fair values. 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 realizable in an immediate sale of the assets or settlement of liabilities.

### (b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk (see Note 19(b) (ii));
- liquidity risk (see Note 19(b) (iii));
- market risk (see Note 19(b) (iv)).

The Company's overall risk management program focuses on the unpredictability and inefficiency of the Armenian financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company's senior management oversees the management of these risks and financial risk-taking activities are governed by appropriate policies and procedures so that financial risks are identified, measured and managed in accordance with the Company's policies.

The Company is exposed to credit risk, liquidity risk and market risk. The policies for managing each of these risks are summarized below.

**(i) Risk management framework**

The management has overall responsibility for the establishment and oversight of the Company’s risk management framework.

The Company’s risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**(ii) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents, receivables from customers and contract assets.

The carrying amount of financial assets and contract assets represent the maximum credit risk exposure.

As at 31 December 2023 and 2022 credit risk exposure of assets is presented in the table below:

	<b>31 December 2023</b>	<b>31 December 2022</b>	<b>Country</b>	<b>Credit rating</b>
	<b>'000 AMD</b>	<b>'000 AMD</b>		
Cash and cash equivalents	116,288	13,887	Armenia	B1
Cash and cash equivalents	2,903	2,187	Austria	A2
Cash and cash equivalents	10,466	517	Armenia	Unrated
Term deposit	-	702,714	Armenia	Unrated
Term deposit	766,034	-	Armenia	B1
Financial assets at fair value through profit or loss	2,227,654	1,436,815	Armenia	Unrated
Other financial assets	357,977	257,441	Armenia	Unrated
	<b>3,481,322</b>	<b>2,413,561</b>		

Ratings are based on Moody’s rating system.

As at reporting date, none of the financial assets are past due or impaired.

**(iii) 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’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

### Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

<b>31 December 2023</b>							
'000 AMD	<b>Carrying amount</b>	<b>Total</b>	<b>Up to 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>
<b>Financial liabilities</b>							
Lease liability	141,607	175,310	3,359	17,052	20,667	126,868	7,364
Other financial liabilities	102,099	102,099	102,099	-	-	-	-
<b>Total financial liabilities</b>	<b>243,706</b>	<b>277,409</b>	<b>105,458</b>	<b>17,052</b>	<b>20,667</b>	<b>126,868</b>	<b>7,364</b>

<b>31 December 2022</b>							
'000 AMD	<b>Carrying amount</b>	<b>Total</b>	<b>Up to 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>
<b>Financial liabilities</b>							
Lease liability	168,019	218,261	3,512	17,829	21,605	129,595	45,720
Other financial liabilities	85,730	85,730	85,730	-	-	-	-
Bank overdraft	15,000	15,000	15,000	-	-	-	-
<b>Total financial liabilities</b>	<b>268,749</b>	<b>318,991</b>	<b>104,242</b>	<b>17,829</b>	<b>21,605</b>	<b>129,595</b>	<b>45,720</b>

**(iv) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the 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 optimising the return.

### Currency risk

The Company is exposed to currency risk on cash and cash equivalents and trade payables that are denominated in a currency other than AMD. The currency in which these transactions primarily are denominated is USD and EUR.

### **Exposure to currency risk**

The Company's exposure to foreign currency risk was as follows:

'000 AMD	USD-	EUR-	USD-	EUR-
	denominated	denominated	denominated	denominated
	2023	2023	2022	2022
Cash and cash equivalents	2,239	13,091	2,177	2,678
Bank deposit	-	766,034	-	702,714
<b>Total financial assets</b>	<b>2,239</b>	<b>779,125</b>	<b>2,177</b>	<b>705,392</b>
<b>Non-derivative financial liabilities</b>				
Other financial liabilities	-	76,994	160	56,422
<b>Total financial liabilities</b>	<b>-</b>	<b>76,994</b>	<b>160</b>	<b>56,422</b>
<b>Net exposure</b>	<b>2,239</b>	<b>702,131</b>	<b>2,017</b>	<b>648,970</b>

The following significant exchange rates have been applied during the year:

The following significant exchange rates have been applied during the year:

in AMD	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
USD 1	392.38	435.95	404.79	393.57
EUR 1	424.33	461.08	447.90	420.06

A reasonably possible strengthening (weakening) of the AMD, as indicated below, against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss before taxes by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

'000 AMD	2023		2022	
	Profit or loss/equity		Profit or loss/equity	
	Strengthening	Weakening	Strengthening	Weakening
AMD 20% movement (2022: 20%)	(140,426)	140,426	(129,794)	129,794

### **Interest rate risk**

Changes in interest rates impact only the term deposit. However, management estimates that the Company's exposure to interest rate risk is not material.

### **Other market price risks**

The Company is exposed to unit price risks arising from units held in funds. Unitholdings in funds are held for statutory, strategic and investment purposes rather than for trading purposes. The Company does not actively trade these unitholdings.

The sensitivity analyses below have been determined based on the exposure to unit price risks at the end of the reporting period.

If unit prices had been 5% higher/lower, profit for 2023 year would increase/decrease by AMD 111,383 thousand as a result of the changes in fair value of financial assets at fair value through profit or loss (2022: profit increase/decrease by AMD 71,841 thousand).

## 20. Leases

The Company leases an office facility. The lease runs for 72 months, with an option to renew the lease after that date.

### (i) *Right-of-use assets*

<b>'000 AMD</b>	<b>2023</b>	<b>2022</b>
Balance at 1 January	165,335	76,013
Depreciation charge for the year	(33,040)	(27,011)
Additions to right-of-use assets	-	169,028
Derecognition of right-of-use assets	-	(52,695)
<b>Balance at 31 December</b>	<b>132,295</b>	<b>165,335</b>

### (ii) *Amounts recognised in profit or loss*

<b>'000 AMD</b>	<b>2023</b>	<b>2022</b>
Interest expense on lease liabilities	16,539	14,557

### (iii) *Amounts recognised in statement of cash flows*

<b>'000 AMD</b>	<b>2023</b>	<b>2022</b>
<b>Total cash outflow for leases</b>	<b>42,951</b>	<b>36,180</b>

### (iv) *Lease liabilities*

<b>'000 AMD</b>	<b>2023</b>	<b>2022</b>
Balance at 1 January	168,019	82,110
Interest expense	16,539	14,557
Addition	-	166,055
Derecognition	-	(58,523)
Lease payments	(42,951)	(36,180)
<b>Balance at 31 December</b>	<b>141,607</b>	<b>168,019</b>

## **21. Commitments**

### **Commitments for co-investment in funds under management**

The Company is subject to regulatory requirement to hold 1% co-investment in pension funds under its management, unless fund net assets value exceed AMD 1,000,000 thousand and 0.15% in investment fund. This and other statutory and normative requirements are subject to monitoring by the CBA. As at 31 December 2023 and 2022 the Company complies with the above regulations.

## **22. Contingencies**

### **(a) 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 its assets, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Company property or relating to Company operations.

### **(b) Litigation**

The Company does not have litigations that may have a effect on the Company's results of operations or financial position.

### **(c) Taxation contingencies**

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ from the interpretations of the management.

## **23. Related parties**

### **(a) Control relationships**

The Company's major shareholder is "C-QUADRAT Investment AG" (74.9%). The shares of "C-QUADRAT Investment AG" belong to Cubic (London) Limited (United Kingdom) (100,00%). Shares of Cubic (London) Limited (United Kingdom) belong to MVJ GmbH & Co KG (74.9 %) and other four minor shareholders.

The ultimate controlling parties of the Company, which has more than 20% effective shareholding, are Alexander Schütz & Family (38% in MVJ GmbH & Co KG) and Cristobal Mendez de Vigo zu Loewenstein (38% in MVJ GmbH & Co KG).

**(b) Transactions with management**

***Management remuneration***

Key management received the following remuneration during the year, which is included in administrative expenses (see Note 8):

<b>'000 AMD</b>	<b>2023</b>	<b>2022</b>
Salaries and bonuses	<u>214,801</u>	<u>184,535</u>

<b>'000 AMD</b>	<b>2023</b>	<b>2022</b>
Reimbursement to the board member	<u>48,553</u>	<u>47,895</u>

**(c) Transactions with other related parties**

<b>'000 AMD</b>	<b>Transaction value for the year ended 31 December</b>		<b>Outstanding balance as at 31 December</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Expenses</b>				
<b><i>Professional and marketing services fees</i></b>				
Parent	41,584	42,036	2,294	2,698
Entities under common control	<u>510,716</u>	<u>379,416</u>	<u>49,643</u>	<u>35,306</u>

**Pension Funds managed by the Company**

<b>'000 AMD</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Statement of financial position</b>		
Units held in funds managed by the Company	2,227,654	1,436,815
Management fee receivable	<u>357,977</u>	<u>257,441</u>

<b>'000 AMD</b>	<b>2023</b>	<b>2022</b>
<b>Statement of profit or loss and other comprehensive income</b>		
Income from management fees	3,713,490	2,822,521
Net gain/(loss) on financial assets at fair value through profit or loss	<u>260,839</u>	<u>(165,577)</u>

**24. Subsequent events**

In February 2024 C-Quadrat Ampega Asset Management Armenia LLC increased its subscription in C-QUADRAT Ampega Conservative Pension Fund by AMD 200 mln.

Starting from January 2024 C-Quadrat Ampega Asset Management Armenia reduced management fees, lowering the fees for each fund by 0.15%. Since 2024 the new fees for CQBAL, CQCON, and CQFIX will be 1.15%, 0.95%, and 0.85% respectively.

## **25. Basis of measurement**

These financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value through profit or loss at the end of each reporting period, as explained in the accounting policies below.

## **26. Material accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### **(a) Finance income and costs**

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;

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

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

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

### **Asset management activities**

Portfolio and other management fees are recognized based on the service agreements, as a rule proportionally to time. Asset management fees related to investment foundations are accounted proportionally throughout the time of service provision.

Asset management fees are based upon daily balances of net asset value of the funds under the Company's management.

Assets under management of the Company are not assets of the Company and therefore are not recognized in the statement of financial position. The Company is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

### **Income from investments at fair value through profit or loss**

The Company has investments in the units of the funds under its management. The units are recognized at either quoted prices in active markets or at net asset value per unit acquired and subsequently measured at fair value through profit or loss. In the statement of profit or loss and other comprehensive income net gain or loss from financial assets at fair value through profit or loss includes all realized and unrealized fair value changes and foreign exchange differences, but excludes interest and dividend income.

#### **(b) 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 recognised 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.

#### **(c) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

##### **(i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

##### **(ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

**(d) Financial instruments**

**(i) Recognition and initial measurement**

Management fee receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

**(ii) Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI – debt investment, FVOCI – equity investment or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Financial assets – Business model assessment**

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company’s continuing recognition of the assets.

### **Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

### **Financial assets – Subsequent measurement and gains and losses**

Financial asset at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

### **Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised and are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

## **(iii) *Modification of financial assets and financial liabilities***

### **Financial assets**

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are

substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Company analogizes to the guidance on the derecognition of financial liabilities.

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

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

### **Financial liabilities**

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Company applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Company recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBA key rate, if the loan contract entitles banks to do so and the Company has an option to either accept the revised rate or redeem the loan at par without penalty. The Company treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

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

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

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

**(iv) Derecognition**

**Financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**Financial liabilities**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**(v) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**(e) Cash and cash equivalents**

Cash and bank balances in the statement of financial position comprise cash at banks with initial maturity of three months or less.

**(f) Share capital**

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

The ability of the Company to declare and pay dividends is subject to the rules and regulations of the Armenian legislation.

**(g) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**27. New standards and interpretations not yet adopted**

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

- Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1).
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).
- Lack of Exchangeability (Amendments to IAS 21).