Capital Asset Management CJSC

## Index to notes forming part of the financial statements
## For the year ended 31 December 2022

Contents

## 1. About the Company

Capital Asset Management CJSC (the Company) is the first registered investment and pension fund manager in the Republic of Armenia. The Company was founded on 18 October 2012, and has been registered in the Central Bank of Armenia (CBA) as an investment fund manager with granted license number 1.

The activity of the Company is regulated by CBA. The Company manages and administers assets held in unit funds. The financial statements of these entities are not included in the financial statements of this document.
All Assets and Liabilities of the company are located in Armenia.

The only shareholder of the “Capital Asset Management” CJSC is Tigran Karapetyan.

The Company operates the following open ended voluntary pension and investment funds:

• CAM Government Securities Investment Fund
• CAMavor 1 PENSION FUND
• CAMavor 2 PENSION FUND
• CAM Bridge Fund I
• CAM Bridge Fund II
• Ararat Technology CAM-PI Fund 1

The legal address of the company is: Armenia, 0015, Yerevan, Argishti St., 7 Building.
The Company’s registered office is 7 Argishti, 1st floor office 101, Yerevan, Republic of Armenia.

The average number of employees for the year ended 31 December 2022 was 6 (31 December 2021: 6).

### Armenian business environment

The Company’s operations are located in Armenia and thus are exposed to the effects of changes in the economic and financial markets of the country. Armenia continues economic reforms and development of its legal, tax, and regulatory frameworks as required by a market economy.

These frameworks continue to develop, but can be subject to several reforms, which together with legal and financial disturbance, may bring about other difficulties for companies operating in Armenia.

The wide-spread pandemic of COVID-19 (coronavirus), the war in the Republic of Artsakh, and ongoing political escalations over conflictual land areas all have had a significant impact on the economy of Armenia. The current stage in which the Armenian economy is in can be described as a period of stable recovery.

Such an operating environment has a significant impact on the Company’s financial situation. The Company adopts necessary measures to ensure the stability of the Company's operations, however, due to the unpredictability of the developments, the Management is not able to make a reliable assessment of how such circumstances will affect the financial condition of the Company in the coming years.

The financial statements reflect the Company's assessment of the impact on the Company’s operations of the general conditions of the business environment. The future business environment may differ from management's assessment.

## 2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The principal accounting policies adopted in the preparation of the financial statements are set out in note 15. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in Armenian Drams (AMD), which is also the Company's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and judgments. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

### Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial assets measured at fair value through profit or loss, which are measured at fair value.

### Changes in accounting policies

*a) Standards and amendments mandatorily effective from 1st of January 2022*

*1) Annual Improvements to IFRS 2018-2020 Cycle*

In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

*2) IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)*

In May 2020, the IASB issued amendments to IAS 37, added paragraph 68A to specify which costs an entity includes in determining the cost of fulfilling a contract for the purposes of assessing whether the contract is onerous. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.

*3) IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)*

In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant, and equipment. Instead, a company will recognize such sales proceeds and any related costs in profit or loss rather than offset it against the cost of the property.

New standards and amendments which have become effective after 01.01.2022 do not have a significant influence on the financial statements of the Company for the year.

*b) Standards and amendments issued, but not yet effective*

*1) IFRS 17 Insurance Contracts*

IFRS 17 introduces an internationally consistent approach to accounting for insurance contracts. Prior to IFRS 17, significant diversity existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes. The new standard takes the view that insurance contracts combine features of a financial instrument and a service contract, and that many generate cash flows that vary substantially over time. It therefore takes the approach of:

• Combining current measurement of future cash flows with recognizing profit over the period that services are provided under the contract

• Presenting insurance service results (including insurance revenue) separately from insurance finance income or expenses, and

• Requiring an entity to make an accounting policy choice for each portfolio whether to recognize all insurance finance income or expenses for the reporting period in profit or loss, or to recognize some in other comprehensive income.

After the issue of IFRS 17, amendments to the standard and deferral of effective dates have been made.

*2) Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)*

In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1st of January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2.

*3) Definition of Accounting Estimates (Amendment to IAS 8)*

In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.

*4) Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)*

The IFRS Interpretations Committee issued an agenda decision in June 2020 – Sale and leaseback with Variable Payments. This matter was referred to the IASB for standard setting for some aspects. The IASB issued the final amendments in September 2022. The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

*5) IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)*

The IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-current in January 2020, which have been further amended partially by amendments to non-current liabilities with covenants, issued in October 2022. The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period. As a result of the COVID-19 pandemic, the Board deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.

*6) IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)*

Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-Current, the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with a specified condition, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.

## 3. Critical Accounting Estimates and Judgements

The Company makes certain estimates and assumptions regarding the future business environment. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcome may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

***Going concern***

Management has prepared the financial statements on a going concern basis. In making this assessment, management considered the Company's financial condition, current intentions, operating profitability, and availability of financial resources.

The management of the Company considers the going concern basis appropriate, due to positive expectations relating to the activation of the investment market.

***Factors affecting going-concern***

The accumulated loss as of 31 December 2022 equals AMD 20,976 thousand (31 December 2021: AMD 252 thousand). The cash outflows required by the Company were covered by borrowing obtained from the sole shareholder of the Company, which was subsequently waived.

A significant factor influencing the company's going concern basis is the ongoing global health emergency due to the coronavirus ("COVID-19 outbreak") and the risks to the international community, as the virus has spread throughout the world, including the Republic of Armenia. In addition, the war unleashed by Azerbaijan against the Artsakh Republic on 27 September 2020, created significant preconditions for political and economic crisis, which in turn indirectly affected the Company's activities.

The course of the epidemic, as well as the increase in political risks following the war, have led to a general economic downturn, as well as an increase in uncertainty about the future. The uncertainty partly affects the corporate bond markets, as well as the willingness of investors to actively operate in the financial markets.

The above mentioned circumstances have led to a reduction in financial investments, as a result of which the Company's management fee in 2022 and 2021 have significantly decreased compared to 2021.

The company has adopted a moderately active policy at this stage and after making assessments, the management has a reasonable expectation that the Company is able to continue its operations in the foreseeable future. The Company, therefore, continues to adopt going concern basis of accounting, meaning these financial statements do not include any adjustments that would be necessary if the Company was unable to continue as a going concern.

***Fair value measurement***

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- *Level 1:* Quoted prices in active markets for identical items (unadjusted)
- *Level 2:* Observable direct or indirect inputs other than Level 1 inputs
- *Level 3:* Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur. The Company measures fund units at fair value (Note 8).

## 4. Financial instruments - Risk Management

Through its operations, the Company is exposed to the following financial risks:

- Credit risk,
- Fair value or cash flow interest rate risk,
- Liquidity risk,
- Foreign exchange risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments.

This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

***(a) Principal financial instruments***

The principal financial instruments used by the Company, from which financial instrument risks arise, are:

- Financial assets at fair value through profit or loss
- Receivables
- Cash and cash equivalents
- Payables.

***(b) Financial instruments by category***

**Financial asset**

| | **Fair value measurement** | | **Amortized cost** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **AMD'000** | **AMD'000** | **AMD'000** | **AMD'000** |
| Cash and cash equivalents | - | - | 7,652 | 20 |

| | | | | |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | 204,470 | 234,788 | - | - |
| Trade receivables | - | - | 3,687 | 3,170 |
| **Total** | **204,470** | **234,788** | **11,339** | **3,190** |
| **Financial liabilities** | | | | |
| Trade payables | - | - | 676 | 1,486 |
| **Total** | **-** | **-** | **676** | **1,486** |

***(c) Financial instruments not measured at fair value***

Financial instruments not measured at fair value include cash and cash equivalents, trade receivables and trade payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade receivables and trade payables approximates their fair value.

***(d) Financial instruments measured at fair value***

**Financial Instruments fair value hierarchy is presented below:**

| | Level 2 | |
|---|---|---|
| **December 31** | **2022 AMD'000** | **2021 AMD'000** |
| Financial assets at fair value through profit or loss | 204,470 | 234,788 |
| | **204,470** | **234,788** |

Appendix A details the fair value hierarchy and significant unobservable inputs relating to valuation techniques that are included in Level 3 of the fair value hierarchy.

During the reporting period there were no changes in the levels. The valuation techniques and significant observable inputs used in determining the fair value of financial assets at fair value through profit or loss, as well as the primary observable inputs and fair value relationships are presented below.

| **Financial instrument** | **Measurement method** |
|---|---|
| Financial assets measured at fair value through profit or loss | The fair value of the shares of the Company is measured as the fair value of the assets owned by the company as of the reporting date. |

There were no changes in the valuation technique used to measure the fair value during the reporting period.

***Common goals, policies, and processes***

Company’s management has an overall responsibility for risk management, goals, and policies. The management receives monthly reports from the Company's chief accountant, thereby verifying the effectiveness of the processes in achieving the stated goals and policies.

The management aims to define policies that minimize risk while avoiding the Company's competitiveness and flexibility. Details of this policy are described below.

***Credit risk***

Credit risk is the risk of financial loss suffered by the Company as a result of a customer or a counterparty to a financial instrument failing to meet its contractual obligations. The Company bears credit risk primarily with investing activities and bank balances. The Company seeks to control its credit risk by applying a monitored investment strategy as well as reasonable judgement in its selection of servicing banking partners. The Company may enter into secured financing transactions such as a sale and repurchase of agreements or purchase and resale of 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 policies and procedures for the management of credit exposures (for recognized financial assets and unrecognized contractual commitments).

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and in unrecognized contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

| | 2022 AMD'000 | 2021 AMD'000 |
|---|---|---|
| Cash and cash equivalents | 7,652 | 20 |
| Financial assets at fair value through profit or loss | 204,470 | 234,788 |
| Trade receivables | 3,687 | 3,170 |
| | **215,809** | **237,978** |

***Cash at bank***

The Company believes that the risk of cash at bank can be deemed as insignificant, since the financial institutions selected for investment of the Company's funds are reliable and authoritative.

A significant amount of cash is held with the following institutions:

| | 2022 AMD'000 | 2021 AMD'000 |
|---|---|---|
| Bank 1 | 7,609 | 13 |
| Bank 2 | 43 | 7 |
| | **7,652** | **20** |

***Liquidity risk***

Liquidity risk arises from the Company's management of its own funds. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The factors which impact the position of cash and cash flows include investment activities with securities, temps of subscriptions and maturity of shares. The combination of other factors can cause essential fluctuations in the cash position within a certain period of time.

In line with the Company's policy, the entity must ensure that it will always have sufficient cash available to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) in meeting expected requirements, within a reasonable timeframe.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

| **Up to 3 months** | **31 December 2022 AMD'000** | **31 December 2021 AMD'000** |
|---|---|---|
| Trade payables | **676** | **1,486** |

### *Fair value or cash flow 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. With respect to 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 rates.

### *Foreign Exchange risk*

Currency risk arises from recognized financial assets and liabilities that are not underlined in the Company's functional currency. The Company has a policy to manage the impact of foreign exchange risk on the Company in accordance with the terms of currency diversification set out in the Fund's rules. As of the reporting date, the impact of foreign exchange risk on the Company is due to USD underlying corporate securities in the investment portfolio.

The table below shows the impact of exchange rate fluctuations as of the reporting date:

| | **31.12.2022** | **31.12.2021** |
|---|---|---|
| **Financial assets measured at fair value through profit and loss** | **AMD'000** | **AMD'000** |
| USD | 67,089 | 78,398 |
| **Net currency position** | **67,089** | **78,398** |

As of the reporting date, the effect of a 10% appreciation of the US dollar against the AMD on financial instruments denominated in US dollars (if other data remained unchanged) would result in an increase in net profit for the year (after tax) by 6,429 thousand drams (6,613 thousand drams in 2020) and 10% devaluation will result in the same impact on net profit for the year (after tax).

### *Capital risk management*

The Company manages its capital to ensure that it will be able to continue as a going concern, and at the same time it maximizes the return to stakeholders through the optimization of debt and equity balances. The CBA sets and monitors capital requirements for the Company. Under the current capital requirements set by the CBA, voluntary and pension fund managers have to maintain a minimum share capital of 200 Million AMD.

## 5. Fund management fees

| | **2022 AMD'000** | **2021 AMD'000** |
|---|---|---|
| Management fees from investment funds | 23,318 | 22,668 |
| Management fees from pension funds | 3,139 | 3,321 |
| | **26,457** | **25,989** |

The revenue from the fund management services is recognized daily and calculated based on the net active values of funds.

The Company typically collects revenue from management services within the following month.

## 6. Other operating expenses

| | 2022 | 2021 |
|---|---|---|
| | AMD'000 | AMD'000 |
| Employee benefit expenses | 24,967 | 24,209 |
| Short-term lease expense | 4,440 | 5,640 |
| Audit and other consulting services | 3,630 | 6,756 |
| Servicing and maintenance | 3,625 | 3,659 |
| Depreciation and amortization | 823 | 886 |
| Communication expenses | 421 | 1,361 |
| Other operating expenses | 1,325 | 1,772 |
| | **39,231** | **44,283** |

## 7. Income tax

| | 2022 | 2021 |
|---|---|---|
| | AMD'000 | AMD'000 |
| Deferred income tax expense | 203 | 1,543 |
| **Total income tax expense** | **203** | **1,543** |

The reasons for the difference between the actual tax expenses of the year and the profit tax rate determined by Tax Codex of the Republic of Armenia are as follows:

| | 2022 | 2021 |
|---|---|---|
| | AMD'000 | AMD'000 |
| Loss before tax | (30,121) | (20,029) |
| Income tax at tax rate of 18.0% (2021 – 18.0%) | (5,422) | (3,605) |
| Effect of non-deductible/(non-taxable income), net | 4,539 | 1,168 |
| Tax loss carry forward not recognised | 1,086 | 3,980 |
| **Total effective tax expense /(income)** | **203** | **1,543** |

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

| | 2022 | 2021 |
|---|---|---|
| | AMD'000 | AMD'000 |
| Units held in funds under management | 204,470 | 234,788 |
| | **204,470** | **234,788** |

## 9. Deferred tax assets

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 18% (2021: 18%). The change in the amount of deferred tax assets is:

As at 31 December 2022, the Company have not recognized deferred tax of 1,086 thousand AMD (2021 3,980 thousand AMD). Tax losses with respect to unrecognized tax assets are subject to settlement during the period of 2023 to 2027.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below:

| | Balance as at 31.12.2021 | 2022 recognized in profit or loss | Balance as at 31.12.2022 |
|---|---|---|---|
| Provisions | 1,556 | (225) | 1,331 |
| Property and equipment | - | 22 | 22 |
| Tax loss carry-forward | 2,700 | - | 2,700 |
| | 4,256 | (203) | **4,053** |

| | Balance as at 31.12.2020 | 2021 recognized in profit or loss | Balance as at 31.12.2021 |
|---|---|---|---|
| Provisions | 1,548 | 8 | 1,556 |
| Property and equipment | (26) | 26 | - |
| *Tax loss carry-forward* | 4,276 | (1,576) | 2,700 |
| | **5,798** | (1,542) | 4,256 |

The settlement date of the tax loss transferred to following years is presented below:

| | Accumulated tax loss | 18% |
|---|---|---|
| - 31 December 2026 | (10,823) | (1,948) |
| - 31 December 2027 | (10,290) | (1,838) |
| | **(21,032)** | **(3,786)** |

## 10. Other assets

| | 2022 AMD'000 | 2021 AMD'000 |
|---|---|---|
| Receivables from funds | 3,687 | 3,170 |
| **Financial assets at amortized cost** | **3,687** | **3,170** |
| Other | 423 | 555 |
| | **4,110** | **3,725** |

The carrying value of trade and other receivables measured at amortised cost approximates its fair value.

The Company uses the simplified approach of IFRS 9 to estimate expected credit losses on trade receivables using an estimate of lifetime expected credit losses. To measure credit solvency losses on a collective basis, receivables are grouped based on similar risk levels and maturities.

The Company's trade receivables are current and have a maturity of up to 30 days.

As of December 31, 2022 and December 31, 2021, the effect of non-collection of receivables is not material.

## 11. Other liabilities

| | 2022<br>AMD'000 | 2021<br>AMD'000 |
|---|---|---|
| Trade payables | 676 | 1,486 |
| **Financial liabilities at amortised cost** | **676** | **1,486** |
| Accruals on vacation leave | 7,392 | 6,146 |
| Accruals on audit | - | 2,496 |
| Other payables | 514 | 655 |
| | **8,582** | **10,783** |

## 12. Share capital and reserves

### Issued shares

The declared, issued and outstanding share capital consists of 21,000 ordinary shares (21,000 in 2021). As of 31 December 2022, the nominal value of the share was 9,900 drams (9,900 drams in 2021).

Holders of ordinary shares have the right to receive declared dividends and to vote at General Meetings, on a one share, one vote basis.

### Dividends

Dividends payables are limited by the amount of the maximum retained earnings of the Company as defined by the legislation of the Republic of Armenia.

No dividends were declared in 2022 and 2021.

During 2022, the shareholder provided the Company a borrowing in the amount of AMD 9,600 thousand, which was subsequently used to cover the losses made by the entity, all of which is reflected in the statements relating to equity.

## 13. Related party transactions

In accordance with IAS 24 Related Party Disclosures, parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The ultimate controlling party to the Company is Tigran Karapetyan (100% shareholder).

***Key Management Personnel Compensation***

Key management personnel are those have authority and responsibility for planning, directing and controlling the activities of the Company, including the Company’s Director. The costs related to remuneration of key management personnel are presented below:

| | 2022<br>AMD'000 | 2021<br>AMD'000 |
|---|---|---|
| Salary, other compensation | **10,223** | **10,432** |

## 14. Contingent Liabilities

As of 31 December 2022 the Company had no liabilities related to capital investments (same for 31 December 2021). As of 31 December 2022 the Company has provided no guarantees regarding repayment of liabilities of any party (same for 31 December 2021). As of 31 December 2022 there were no legal actions against the Company (same for 31 December 2021).

## 15. Accounting policy

***Income from principal activity***

Fund management fees are recognised based on the values of net assets within the investment funds. Management fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded proportionately over the period during which service is provided.

Asset management and administration fees relate to fees earned on fiduciary activities where the Company holds or invests assets on behalf of its clients and provides other asset-based financial services. These fees are based on daily balances of client assets invested into these funds. The fair values of client assets included in the funds are based on quoted market prices and other observable market data.

***Foreign currency transactions***

Transactions in foreign currency are converted into the functional currency at the closing exchange rate as of the day of the transaction, using the average exchange rate announced by the CBA in case of a closing price being absent.
Monetary assets and liabilities in foreign currency are converted into the functional currency using the exchange rate as of the last day of the reporting period.
Non-monetary assets and liabilities in foreign currencies that are measured at fair value are recalculated at the exchange rate of the date that the fair value of the functional currency is determined.
The gains/losses which arise upon revaluations of foreign exchange items are recognized in profit or loss as net gains/losses on foreign exchange differences, except for financial instrument, measured at fair value through profit or loss, which are recognized at fair value, and presented as an element of revaluation of financial instruments measured through profit or loss.

***Stock transactions and investment income***

Stock transactions are accounted for at the date of the transaction (sale or purchase of securities). Interest income is accounted on an accrual basis. Dividends are accounted on the date of the previous dividends. Value of securities is calculated based on weighted average cost.

**Accrual basis of accounting**

The company undertakes its accounting procedures following the accrual basis of accounting. The accrual basis of accounting leads the firm to account for expenses as liabilities at fair value, independent of whether existence of the appropriate account. Auditorial or other advisory services are accounted for in the time period for which the value of the given services can be reliably measured; when a contract is signed.

**Transactions with securities and investment income**

Transactions with securities are accounted for at the date when the security is bought or sold. The interest income is accounted for on an accrual basis. Income from shares is accounted for at the previous date of the share. The value of the securities is the weighted average of its cost.

**Financial instruments**

The company initially recognizes financial assets or liabilities at fair value. Financial assets or liabilities which are not classified as financial instruments measured at fair value through profit or loss, have transaction costs that are directly attributable to the acquisition or issuance of the financial asset or liability added to their cost. Transaction costs that can be directly classified as "at fair value through profit or loss" for financial assets or liabilities, are recognized immediately in profit or loss.

***Financial assets***

Financial assets are classified in the following categories:

(a) financial assets measured at fair value through profit or loss (FVTPL);
(b) financial assets measured at fair value through other comprehensive income (FVOCI);
(c) financial assets measured at amortized cost.

The classification is dependent on the nature of the cash flows resulting from the financial assets and the business model, under which the asset is held and designated at the time of initial recognition.

**Financial assets measured at fair value through profit or loss.**

Financial assets are classified as "measured at fair value through profit or loss" when is does not classify as neither measured at amortized cost (as described below), nor measured at FVOCI (as described below). Additionally, at initial measurment, the Company may irrevocably designate any financial asset (which meets the criteria for being measured at amortized cost or at FVOCI) as measured at FVTPL, if this eliminates or essentially reduces the accounting mismatch that could otherwise have arisen.

A financial asset is classified as measured "at amortized cost" if it complies with the following two conditions and has not been designated as measured at FVTPL:

- It is held under a business model, which aims at holding assets to collect contractual cash flows; and
- Its contractual terms give rise to cash flows on the specified dates, which are solely interest payments on principal and outstanding principal.

Financial assets, which are debt instruments and are not classified as measured at FVPOL, are subject to an impairment test using the expected credit loss model. According to this model, a credit loss provision should be recognized in the amount of expected credit losses (ECL) during 12 months after the reporting date. However, if the instrument's credit risk has significantly increased since its initial recognition, the provision should be recognized for the whole life of the instrument in the amount of ECL.

**Derecognition of financial assets**

The Company derecognizes financial assets when the contractual rights to the cash flows arising from the financial asset expire, or when the rights to the cash flows arising from the financial asset are transferred to a third party. If the Company does not transfer and does not retain substantially all the risks and rewards relating to the ownership of the financial asset, but retains control over the transferred asset, the Company continues to recognize the financial asset and the related liability to the extent to which its involvement in the asset continues. If the Company retains substantially all the risks and rewards of ownership of the financial asset, the Company shall continue to recognize the financial asset as well as the secured loan against the asset.

**Financial liabilities**

Financial liabilities are classified as measured "at fair value through profit or loss" (FVTPL) or as measured "at amortized cost".

**Financial liabilities measured at amortized cost**

Financial liabilities are measured at amortized cost using the effective interest method, recognizing the interest expense on the basis of efficiency.

**Derecognition of financial liabilities**

The Company derecognizes financial liabilities only when the Company's obligations are extinguished, canceled, or expired.

When a financial obligation to the same lender is replaced by another financial obligation, the terms of which are significantly different from the previous one, or if there is a significant change in the terms of the existing obligation, such exchange or change is recognized as a derecognition of the original obligation and recognition of the new obligation. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in the financial result.

**Property and equipment**

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant, and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Computer equipment - 1-5 years
Household and office equipment, other fixed assets - 5-10 years:

**Externally acquired intangible assets**

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Software - 10 years.

**Dividends**

Dividends are recognized when they become legally payable.

**Deferred taxation**

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the temporary difference can be utilized.
The amount of the deferred asset or liability is determined using tax rates that are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

**Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events and it would appear that the Company will be required to meet the liability, and the amount of the liability can be assessed accurately.

**Securities purchased and redeemed under the REPO agreement**

The company has financial contracts for the sale and repurchase of financial assets (REPO), as well as the purchase and resale of financial assets (reversed REPO). The company uses these contracts as an element of its treasury management. A REPO agreement is a transfer of a financial asset to another party for a fee or other consideration and a corresponding obligation to repurchase that financial asset at a future date for cash or other consideration used in the exchange, plus interest. These contracts are accounted for as financial instruments. Financial assets that are sold under repurchase agreements continue to be presented in the financial statements, and the consideration received for these agreements is recorded as a security deposit within deposit instruments with banks. The Company enters into repurchase agreements under which it receives or transfers collateral in accordance with market practice. A transfer of securities to counterparties is only reflected in the statement of financial position if the risks and rewards of ownership are also transferred.

Securities received under REPO contracts are accounted for off-balance sheet as collateral for loans provided. Amounts paid for securities received under REPO contracts are accounted for as loans provided. Interest earned on them is recognized in profit or loss on an accrual basis and presented in other operating income. Securities issued under REPO contracts are accounted for in the balance sheet according to their nature. Amounts received against securities issued under REPO contracts are accounted for as loans received. Interest paid on them is recognized in profit or loss on an accrual basis as interest expense.

**Annex A. Fair Value measurement disclosures**

The following table sets out the valuation techniques used in the determination of fair values including the key unobservable inputs used and the relationship between unobservable inputs to fair value.

| Item | Fair value, AMD'000 | Valuation technique | Fair value hierarchy level | Significant unobservable inputs |
|---|---|---|---|---|
| Fund units | 204,470 | Units are measured at fair value of respective funds as reporting date published by the Funds. | Level 2 | Not applicable |
| Receivables | 3,687 | The carrying amount of short term (less than 12 months) payable approximates its fair values. | Level 3 | None |
| Payables | 676 | The carrying amount of short term (less than 12 months) receivable approximates its fair values. | Level 3 | None |