

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

**Financial Statements  
for 2022**

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## Statement on Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2022

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 2022, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with IFRS Standards as issued by the International Accounting Standards Board (IFRS 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

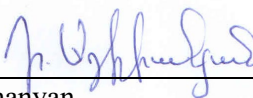
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with 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 2022 were approved by management on 28 April 2023.

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 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS 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.

### Other Matter

The financial statements of the Company as at and for the year 31 December 2021 were audited by other auditors who expressed an unmodified opinion on those statements on 29 April 2022.

### 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 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  
28 April 2023



## Statement of Financial Position as at 31 December 2022

'000 AMD	Note	31 December 2022	31 December 2021
<b>Assets</b>			
Cash and cash equivalents	5	16,591	16,526
Bank deposit	6	702,714	-
Financial assets at fair value through profit or loss	7	1,436,815	1,982,393
Property, equipment and intangible assets	8	132,720	47,857
Right-of-use asset	9	165,335	76,013
Deferred tax assets	10	22,234	16,368
Other assets	11	265,441	229,329
<b>Total assets</b>		<b>2,741,850</b>	<b>2,368,486</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	12	650,000	650,000
Retained earnings		1,473,630	1,302,508
<b>Total equity</b>		<b>2,123,630</b>	<b>1,952,508</b>
<b>Liabilities</b>			
Bank overdraft		15,000	-
Lease liability	9	168,019	82,110
Income tax payables		199,606	163,633
Payables and accrued expenses	13	235,595	170,235
<b>Total liabilities</b>		<b>618,220</b>	<b>415,978</b>
<b>Total equity and liabilities</b>		<b>2,741,850</b>	<b>2,368,486</b>

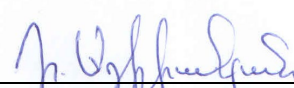
## Statement of Profit or Loss and Other Comprehensive Income for 2022

'000 AMD	Note	2022	2021
Income from management fees	14	2,822,521	2,328,714
Interest income		7,976	3,504
Other income		6,724	9
Net (loss)/gain on financial assets at fair value through profit or loss	15	(165,577)	39,872
Fee and commission income		887	1,051
Fee and commission expense	16	(267,965)	(261,986)
Net loss from trading in foreign currencies		(9,925)	(3,671)
Foreign exchange translation gain		36,759	4,321
Finance cost		(14,557)	(8,667)
Administrative and other expenses	17	(1,215,165)	(939,170)
<b>Profit before tax</b>		<b>1,201,678</b>	<b>1,163,977</b>
Income tax expense	10	(248,556)	(204,332)
<b>Profit and total comprehensive income for the year</b>		<b>953,122</b>	<b>959,645</b>

These financial statements were approved by the Management on 28 April 2023 and were signed on its behalf by:



Arman Vardanyan  
Chief Executive Officer

Isabella Adilkhanyan  
Chief Financial & Operating Officer

## Statement of Changes in Equity for 2022

'000 AMD	Share capital	Retained earnings/(loss)	Total shareholders equity
Balance at 31 December 2020	650,000	918,863	1,568,863
Total comprehensive income for the year	-	959,645	959,645
Dividends declared	-	(576,000)	(576,000)
<b>Balance at 31 December 2021</b>	<b>650,000</b>	<b>1,302,508</b>	<b>1,952,508</b>
Total comprehensive income for the year	-	953,122	953,122
Dividends declared (Note 12)	-	(782,000)	(782,000)
<b>Balance at 31 December 2022</b>	<b>650,000</b>	<b>1,473,630</b>	<b>2,123,630</b>



## Statement of Cash Flows for 2022

'000 AMD	Note	2022	2021
<b>Cash flows from operating activities</b>			
Management fees received		2,787,656	2,273,529
Interest received		7,602	3,504
Salaries and related expenses paid		(339,395)	(272,133)
Commission expenses paid		(264,885)	(258,477)
Operations with foreign currencies		(9,925)	(3,671)
Prepayments, operating and administrative expenses paid		(760,843)	(607,674)
Income taxes paid		(218,450)	(134,457)
<b>Net cash from operating activities</b>		<b>1,201,760</b>	<b>1,000,621</b>
<b>Cash flows from investing activities</b>			
Investments in financial assets at fair value through profit or loss		(300,000)	(630,000)
Purchase of property and equipment		(108,728)	(12,022)
Disposal of property and equipment		2,449	-
Proceeds from sale of financial assets at fair value through profit or loss		680,001	250,001
Investments in term deposit		(689,423)	-
<b>Net cash used in investing activities</b>		<b>(415,701)</b>	<b>(392,021)</b>
<b>Cash flows from financing activities</b>			
Lease liability	23	(36,180)	(24,167)
Dividends paid	12	(782,000)	(576,000)
Proceeds from short term borrowings		15,000	-
<b>Net cash used in financing activities</b>		<b>(803,180)</b>	<b>(600,167)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(17,121)</b>	<b>8,433</b>
Cash and cash equivalents at beginning of the year		16,526	8,231
Effect of exchange rate fluctuations on cash and cash equivalents		17,186	(138)
<b>Cash and cash equivalents at end of the year</b>	5	<b>16,591</b>	<b>16,526</b>

## Notes to the Financial Statements for 2022

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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 Hanrapetutyan 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 2022 the Company had 12 employees (2021: 10 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 RA law on Limited Liability Companies.

The shareholders of the Company are “C-QUADRAT Investment AG” (74.9%), office located at Stubenring 2, 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 12.

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 San Gabriel Privatstiftung (40%) and Cristobal Mendez de Vigo zu Loewenstein (40%).

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

### **(b) 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.

**(c) 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 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.

## **2. Basis of accounting**

**(a) Statement of compliance**

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

**(b) 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.

### 3. Use of estimates and judgements

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

Judgments and estimates that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year relate to accounting for financial instruments, particularly fair value measurements (Note 19). 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.

### 4. Significant accounting policies

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

#### (a) Basis of preparation

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

**(b) Revenue recognition**

**(i) Interest income**

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income and expense, except for interest on non-derivative financial assets and liabilities at fair value through profit or loss, are recognized in the statement of profit or loss as interest income or interest expense respectively.

**(ii) 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.

**(iii) 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.

**(c) Foreign currency**

Transactions in foreign currencies are translated into the functional currency at the appropriate exchange closing rate at the dates of the transactions. In the absence of exchange closing rates, average daily exchange rate published by the CBA is used. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss as net foreign exchange gain (loss), except for those arising on financial instruments at fair value through profit or loss, which are recognized as a component of net gain or loss from financial instruments at fair value through profit or loss.

Below are the relevant exchange rates, which were used by the Company for the purpose of these financial statements:

in AMD	Average rate		Spot rate	
	2022	2021	31 December 2022	31 December 2021
AMD/1 USD	459.48	503.20	393.57	480.14
AMD/1 Euro	434.86	595.18	420.06	542.61

**(d) 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.

**(e) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively

**(i) Current tax**

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

**(ii) Deferred tax**

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

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

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

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

**(f) Property and equipment**

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

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is calculated based on the following annual rates:

- |                         |                |
|-------------------------|----------------|
| - office equipment      | 1 to 10 years; |
| - vehicle               | 8 to 10 years; |
| - computer equipment    | 1 to 3 years;  |
| - leasehold improvement | 1 to 5 years.  |

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

**(g) Intangible assets**

***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset and, are recognized in profit or loss when the asset is derecognized.

Estimated useful lives of intangible assets are 1-5 years.

**(h) Financial instruments**

Financial assets and financial liabilities are recognized when a Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.



### **Fee and commission expense**

Fee and commission expense include fees other than those that are an integral part of EIR (see above).

Fee and commission expenses with regards to services are accounted for as the services are received.

### **Financial assets**

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

#### ***Financial assets measured at fair value through profit or loss (FVTPL)***

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or
- At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

The Company considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios.

At initial recognition of a financial asset, the Company determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model.

### ***Modification and derecognition of financial assets***

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

### ***Presentation of allowance for ECL in the statement of financial position***

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets;

### **Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

### ***Other financial liabilities***

Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

### ***Derecognition of financial liabilities***

The Company derecognizes financial liabilities when, and only when, the Company obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### **Offsetting**

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

## **(i) Impairment**

The Company recognizes loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents;
- Trade and other receivables.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

### ***Impairment of non-current assets***

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## **(j) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**(k) Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

*As a lessee*

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities separately in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In accordance with IFRS 16 variable payments which do not depend on index or rate, e. g. which do not reflect changes in market rental rates, should not be included in the measurement of lease liability. In respect of municipal or federal land leases where lease payments are based on cadastral value of the land plot and do not change until the next revision of that value or the applicable rates (or both) by the authorities, the Company has determined that, under the current revision mechanism, the land lease payments cannot be considered as either variable that depend on index or rate or in-substance fixed, and therefore these payments are not included in the measurement of the lease liability.

## 5. Cash and cash equivalents

Cash and cash equivalents in the amounts of AMD 16,591 thousand and AMD 16,526 thousand as at 31 December 2022 and 2021, 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 2022 and 2021.

## 6. Bank deposits

Terms and conditions of outstanding bank deposits are as follows:

'000 AMD	Currency	Nominal interest rate	Year of maturity	2022		2021	
				Face value	Carrying amount	Face value	Carrying amount
Bank deposit	EUR	0.75%	2023	702,714	702,714	-	-

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 2022.

The Company's exposure to currency and credit risks is disclosed in Note 21.

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

'000 AMD	31 December 2022	31 December 2021
Units held in funds managed by the Company:		
C-QUADRAT Ampega Conservative Pension Fund – P	1,325,614	1,862,491
C-QUADRAT Ampega Balanced Pension Fund – P	53,757	58,857
C-QUADRAT Ampega Fixed Income Pension Fund – P	30,318	31,670
CQ Armenia Growth Investment Fund	27,126	29,375
<b>Total financial assets at fair value through profit or loss</b>	<b>1,436,815</b>	<b>1,982,393</b>

See also Note 19.

## 8. Property, equipment and intangible assets

'000 AMD	Office equipment	Computer equipment	Other office equipment	Leasehold improvements	Vehicles	Computer software	Total
<i>Cost</i>							
At 31 December 2020	30,392	10,457	2,098	4,792	28,100	1,545	77,384
Additions	915	8,618	1,953	-	-	536	12,022
Disposals	(421)	-	-	-	-	-	(421)
At 31 December 2021	<b>30,886</b>	<b>19,075</b>	<b>4,051</b>	<b>4,792</b>	<b>28,100</b>	<b>2,081</b>	<b>88,985</b>
Additions	42,867	7,448	3,200	55,048	-	440	109,003
Disposals	(11,974)	(312)	-	-	-	(1,545)	(13,831)
At 31 December 2022	<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>
<i>Depreciation and amortization</i>							
At 31 December 2020	16,299	6,330	221	2,739	4,039	1,545	31,173
Depreciation and amortization charge	3,139	2,214	346	1,027	3,512	63	10,301
Disposals	(346)	-	-	-	-	-	(346)
At 31 December 2021	<b>19,092</b>	<b>8,544</b>	<b>567</b>	<b>3,766</b>	<b>7,551</b>	<b>1,608</b>	<b>41,128</b>
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)
At 31 December 2022	<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>
<i>Carrying amount</i>							
At 31 December 2020	14,093	4,127	1,877	2,053	24,061	-	46,211
At 31 December 2021	11,794	10,531	3,484	1,026	20,549	473	47,857
At 31 December 2022	<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>

## 9. 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 asset*

<b>'000 AMD</b>	<b>Buildings</b>
<i>Cost</i>	
At 1 January 2021	134,427
Additions	-
<b>At 31 December 2021</b>	<b>134,427</b>
Additions	169,028
Termination	(99,702)
<b>At 31 December 2022</b>	<b>203,753</b>
<i>Accumulated depreciation</i>	
At 1 January 2021	(39,799)
Charge for the year	(18,615)
<b>At 31 December 2021</b>	<b>(58,414)</b>
Charge for the year	(27,011)
Termination	47,007
<b>At 31 December 2022</b>	<b>(38,418)</b>
<i>Carrying amount</i>	
At 31 December 2021	76,013
<b>At 31 December 2022</b>	<b>165,335</b>

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

<b>'000 AMD</b>	<b>2022</b>
Depreciation expense on right-of-use assets	(27,011)
Interest expense on lease liabilities	(14,557)
<b>Total</b>	<b>(41,568)</b>

**(iii) Lease liabilities**

	<b>31 December 2022</b>
<b>'000 AMD</b>	<b>Amounts payable under finance leases</b>
<b>Maturity analysis</b>	
Year 1	42,946
Year 2	44,040
Year 3	45,167
Year 4	40,388
Year 5 and beyond	45,720
<b>Total lease liability</b>	<b>218,261</b>
<b>Unearned interest</b>	<b>(50,242)</b>
<b>Carrying amount of lease liability at 31 December 2022</b>	<b>168,019</b>

	<b>31 December 2021</b>
<b>'000 AMD</b>	<b>Amounts payable under finance lease</b>
<b>Maturity analysis</b>	
Year 1	24,167
Year 2	24,167
Year 3	24,167
Year 4	27,190
<b>Total lease liability</b>	<b>99,691</b>
<b>Unearned interest</b>	<b>(17,581)</b>
<b>Carrying amount of lease liability at 31 December 2022</b>	<b>82,110</b>

## **10. 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 2022 and 2021 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets



**(a) Amounts recognised in profit or loss**

The Company's applicable tax rate is the income tax rate of 18% (2021: 18%).

<b>'000 AMD</b>	<b>2022</b>	<b>2021</b>
Current income tax recognized in profit or loss	254,422	207,215
Deferred tax charge/(credit) due to origination of temporary differences recognized in profit or loss	(5,866)	(2,883)
<b>Income tax expense</b>	<b>248,556</b>	<b>204,332</b>

**Reconciliation of income tax is as follows:**

Profit before income tax	1,201,678	1,163,977
Income tax at statutory income tax rate of 18%	216,302	209,516
Non-deductible expense/(non-taxable income) from net loss/gain on financial assets as fair value through profit or loss	29,804	(7,177)
Non-deductible income from net foreign exchange translation	(6,617)	(777)
Other non-deductible expenses	9,067	2,770
<b>Income tax expense at the effective income tax rate of 20.68% (2021: 17.55%)</b>	<b>248,556</b>	<b>204,332</b>

Calculation of deferred tax on temporary differences is as follows:

<b>'000 AMD</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Deferred tax assets/(liabilities), including:</b>		
Right-of-use asset	(29,760)	(13,682)
Unused vacation reserve	12,587	7,874
Bonus reserve	6,850	5,334
Payable for professional services	2,592	2,376
Property and equipment	(279)	(314)
Lease liability	30,244	14,780
<b>Total deferred tax assets</b>	<b>22,234</b>	<b>16,368</b>

Change in deferred tax assets for the year ended 31 December 2022 and 31 December 2021 of AMD 5,866 thousand and AMD 2,883 thousand, respectively, were recognized in profit or loss.

## **11. Other assets**

<b>'000 AMD</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Other financial assets</b>		
Management fees receivable	257,441	221,688
<b>Other non-financial assets</b>		
Prepayments given for goods and services	1,269	1,160
Other	6,731	6,481
<b>Total other assets</b>	<b>265,441</b>	<b>229,329</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 2022 and 2021.

## 12. Share capital

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:

Shareholder	Shareholding	%
"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 2022 the Company had accumulated earnings in the amount of AMD 1,473,630 thousand (31 December 2021: accumulated earnings AMD 1,302,508 thousand).

On 30 May 2022 the Company declared dividends in the amount of AMD 782,000 thousand grossed up of withholding tax. The dividends were paid on 16 June 2022 for total amount of AMD 742,900 thousand (EUR 1,652 thousand) thousand and the withholding tax were paid in amount of AMD 39,100 thousand.

## 13. Payables and accrued expenses

'000 AMD	31 December 2022	31 December 2021
<b>Other financial liabilities</b>		
Payables for professional services	56,322	51,479
Depository fees payable	24,113	20,737
Other payables	5,295	922
	<b>85,730</b>	<b>73,138</b>
<b>Other non-financial liabilities</b>		
Unused vacation reserve	69,931	43,744
Bonus reserve	38,060	29,633
Other accruals	41,874	23,720
	<b>149,865</b>	<b>97,097</b>
<b>Total payables and accrued expenses</b>	<b>235,595</b>	<b>170,235</b>

## 14. 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>2022</b>	<b>2021</b>
<b>Funds under management</b>		
C-QUADRAT Ampega Conservative Pension Fund – P	2,654,197	2,210,924
CQ Armenia Growth Investment Fund	127,567	83,319
C-QUADRAT Ampega Balanced Pension Fund – P	24,915	21,590
C-QUADRAT Ampega Fixed Income Pension Fund – P	15,842	12,881
<b>Total income from management fees</b>	<b>2,822,521</b>	<b>2,328,714</b>

## 15. Net gain on financial assets at fair value through profit or loss

<b>'000 AMD</b>	<b>2022</b>	<b>2021</b>
Net gains on fair value change of units held in funds	(165,577)	39,872
<b>Total net gain on financial assets at fair value through profit or loss</b>	<b>(165,577)</b>	<b>39,872</b>

## 16. Fees and commission expense

<b>'000 AMD</b>	<b>2022</b>	<b>2021</b>
State Depository fees	263,921	256,513
Fees and commission to international banks	2,520	4,026
Fees and commission to local banks and others	1,524	1,447
<b>Total fees and commission expenses</b>	<b>267,965</b>	<b>261,986</b>

## 17. Administrative and other expenses

<b>'000 AMD</b>	<b>2022</b>	<b>2021</b>
Professional services	500,942	434,992
Salaries	346,870	238,558
Taxes other than on income	117,378	98,814
Communication, marketing and related services	94,700	64,014
Depreciation and amortization	50,006	28,916
Donations	11,190	1,203
Business trips and other personnel expenses	9,433	7,569
Other	84,647	65,104
<b>Total administrative and other expenses</b>	<b>1,215,165</b>	<b>939,170</b>

## 18. Commitments and contingencies

### (a) Taxation contingencies

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

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

### (b) Legal matters and risks

In the ordinary course of business, the Company is subject to legal actions and complaints, as well as adverse changes in the legislative environment it operates in. Management believes that the ultimate liability, if any, arising from claims and complaints, both presented and potential, will not have a material adverse effect on the Company's financial position or the results of its future operations and is less than probable, accordingly no corresponding accrual was provided in these financial statements.

### (c) 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 2022 and 2021 the Company complies with the above regulations.

## 19. Fair value 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 and financial liabilities 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 and financial liabilities 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 2022	31 December 2021		
Financial assets at fair value through profit or loss:				
Units in Funds	1,436,815	1,982,393	Level 2	Latest published net asset value per unit as at reporting date
	1,436.815	1,982.393		

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.

## **20. Capital risk 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 2022 and 2021.

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 be no less than AMD 500,000 thousand, calculated on an average daily basis per calendar month.

## **21. Financial risk management**

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.

### **(a) Credit risk**

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The Company bears credit risk primarily on investing activities and bank balances. Currently the investments of the company are in the units of the funds under its management and no separate monitoring of these investments is performed.

The Company has responsibility for the oversight of credit risk and is responsible for management of the Company's credit risk, including formulating credit policies, covering collateral requirements, credit assessment, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, and by issuer, credit rating band, market liquidity and country. Management regularly reviews asset quality.

As at 31 December 2022 and 2021 credit risk exposure of assets is presented in the table below:

	<b>31 December 2022</b>	<b>31 December 2021</b>	<b>Country</b>	<b>Credit rating</b>
Cash and cash equivalents	13,887	14,508	Armenia	B1
Cash and cash equivalents	2,187	1,430	Austria	A2
Cash and cash equivalents	517	588	Armenia	Unrated
Term deposit	702,714	-	Armenia	B1
Financial assets at fair value through profit or loss	1,436,815	1,982,393	Armenia	Unrated
Other financial assets	257,441	221,688	Armenia	Unrated
	<b>2,413,561</b>	<b>2,220,607</b>		

Ratings are based on Moody's rating system.

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

#### **(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company maintains excess liquidity in the form of current account in banks to cover daily funding needs.

Factors, which affect the cash position and cash flows, include activities of the funds under management from which the Company receives management fees. The Company has been profitable in the previous four consecutive years and it is estimated that the main source of liquidity of the company in the next years will be operating cash flows.

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

In the table below the financial assets and liabilities, as recognized in the statement of financial position as at 31 December 2022 and 2021, are presented on a discounted basis and are based on their expected cash flows. Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

Management estimates that undiscounted cash flows for financial liabilities approximates the information presented in the below table and is not separately presented. Lease liabilities are presented in Note 9.

31 December 2022						
'000 AMD	Carrying amount	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	No maturity
<b>Financial assets</b>						
Cash and cash equivalents	16,591	16,591	-	-	-	-
Bank deposits	702,714	-	702,714	-	-	-
Financial assets at fair value through profit or loss	1,436,815	-	-	-	-	1,436,815
Other financial assets	257,441	257,441	-	-	-	-
<b>Total financial assets</b>	<b>2,413,561</b>	<b>274,032</b>	<b>702,714</b>	<b>-</b>	<b>-</b>	<b>1,436,815</b>
<b>Financial liabilities</b>						
Other financial liabilities	85,730	85,730	-	-	-	-
Bank overdraft	15,000	15,000	-	-	-	-
<b>Total financial liabilities</b>	<b>100,730</b>	<b>100,730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position</b>	<b>2,312,831</b>	<b>173,300</b>	<b>702,714</b>	<b>-</b>	<b>-</b>	<b>1,436,815</b>

31 December 2021						
'000 AMD	Carrying amount	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	No maturity
<b>Financial assets</b>						
Cash and cash equivalents	16,526	16,526	-	-	-	-
Financial assets at fair value through profit or loss	1,982,393	-	-	-	-	1,982,393
Other financial assets	221,688	221,688	-	-	-	-
<b>Total financial assets</b>	<b>2,220,607</b>	<b>238,214</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,982,393</b>
<b>Financial liabilities</b>						
Other financial liabilities	73,138	73,138	-	-	-	-
<b>Total financial liabilities</b>	<b>73,138</b>	<b>73,138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position</b>	<b>2,147,469</b>	<b>165,076</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,982,393</b>

**(c) Market risk**

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

**(i) Interest rate risk**

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

Interest income is affected by changes in the volume and mix of these assets as well as by fluctuations in interest rates and portfolio management strategies. When interest rates fall, the Company may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields. At 31 December 2022 and 2021 all interest bearing financial instruments were fixed interest rate bearing instruments, as presented below:

<b>31 December 2022</b>							
<b>'000 AMD</b>	<b>Carrying amount</b>	<b>Fixed interest bearing</b>					<b>Non-interest bearing</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 assets</b>							
Cash and cash equivalents	16,591	6,947	-	-	-	-	9,644
Bank deposit	702,714	-	702,714	-	-	-	-
Financial assets at fair value through profit or loss	1,436,815	-	-	-	-	-	1,436,815
Other financial assets	257,441	-	-	-	-	-	257,441
<b>Total financial assets</b>	<b>2,413,561</b>	<b>6,947</b>	<b>702,714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,703,900</b>
<b>Financial liabilities</b>							
Bank overdraft	15,000	15,000	-	-	-	-	-
Other financial liabilities	85,730	-	-	-	-	-	85,730
<b>Total financial liabilities</b>	<b>100,730</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,730</b>
<b>Net position</b>	<b>2,312,831</b>	<b>(8,053)</b>	<b>702,714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,618,170</b>

<b>31 December 2021</b>							
<b>'000 AMD</b>	<b>Carrying amount</b>	<b>Fixed interest bearing</b>					<b>Non-interest bearing</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 assets</b>							
Cash and cash equivalents	16,526	13,783	-	-	-	-	2,743
Financial assets at fair value through profit or loss	1,982,393	-	-	-	-	-	1,982,393
Other financial assets	221,688	-	-	-	-	-	221,688
<b>Total financial assets</b>	<b>2,220,607</b>	<b>13,783</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,206,824</b>
<b>Financial liabilities</b>							
Other financial liabilities	73,138	-	-	-	-	-	73,138
<b>Total financial liabilities</b>	<b>73,138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,138</b>
<b>Net position</b>	<b>2,147,469</b>	<b>13,783</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,133,686</b>



As none of the cash flows from Company's financial instruments as at 31 December 2022 and 2021 are linked to floating interest rates, the Company does not prepare and present interest rate risk sensitivity analysis due to no impact on profit or loss or equity in this respect.

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

<b>In % p.a.</b>	<b>31 December 2022 AMD</b>	<b>31 December 2022 EUR</b>	<b>31 December 2021 AMD</b>	<b>31 December 2021 EUR</b>
<b>Interest bearing assets</b>				
Bank accounts	4.5 %	-	4.5 %	-
Bank deposit	-	0.75%	-	-
<b>Interest bearing liabilities</b>				
Bank overdraft	15%	-	-	-

**(ii) Currency risk**

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company's exposure to foreign currency exchange rate risk is presented in the table below:

<b>'000 AMD</b>	<b>31 December 2022</b>			
	<b>AMD</b>	<b>EUR</b>	<b>USD</b>	<b>Total</b>
<b>Non-derivative financial assets</b>				
Cash and cash equivalents	11,736	2,678	2,177	16,591
Bank deposit	702,714	-	-	702,714
Financial assets at fair value through profit or loss	1,436,815	-	-	1,436,815
Other financial assets	257,441	-	-	257,441
<b>Total non-derivative financial assets</b>	<b>2,408,706</b>	<b>2,678</b>	<b>2,177</b>	<b>2,413,561</b>
<b>Non-derivative financial liabilities</b>				
Bank overdraft	15,000	-	-	15,000
Other financial liabilities	29,148	56,422	160	85,730
<b>Total non-derivative financial liabilities</b>	<b>44,148</b>	<b>56,422</b>	<b>160</b>	<b>100,730</b>
<b>Net position</b>	<b>2,364,558</b>	<b>(53,744)</b>	<b>2,017</b>	<b>2,312,831</b>

'000 AMD	31 December 2021		
	AMD	EUR	Total
<b>Non-derivative financial assets</b>			
Cash and cash equivalents	14,911	1,615	16,526
Financial assets at fair value through profit or loss	1,982,393	-	1,982,393
Other financial assets	221,688	-	221,688
<b>Total non-derivative financial assets</b>	<b>2,218,992</b>	<b>1,615</b>	<b>2,220,607</b>
<b>Non-derivative financial liabilities</b>			
Other financial liabilities	21,659	51,479	73,138
<b>Total non-derivative financial liabilities</b>	<b>21,659</b>	<b>51,479</b>	<b>73,138</b>
<b>Net position</b>	<b>2,197,333</b>	<b>(49,864)</b>	<b>2,147,469</b>

An analysis of sensitivity of profit or loss and equity to changes in fair value of monetary assets and liabilities held at 31 December 2022 and 2021 due to reasonably possible changes in corresponding exchange rates, with all other variables held constant, is presented below:

'000 AMD	2022		2021	
	Profit or loss/equity		Profit or loss/equity	
	Strengthening	Weakening	Strengthening	Weakening
EUR 20% movement (2021: 20%)	(10,749)	10,749	(9,973)	9,973

### 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 2022 year would increase/decrease by AMD 71,841 thousand as a result of the changes in fair value of financial assets at fair value through profit or loss (2021: profit increase/decrease by AMD 99,126 thousand).

## 22. Related party disclosures

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

The Company's immediate and ultimate parents are disclosed in Notes 1 and 12. 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, is San Gabriel Privatstiftung (40%) and Cristobal Mendez de Vigo zu Loewenstein (40%).

'000 AMD	31 December 2022	31 December 2021
<b>Statement of financial position</b>		
Units held in funds managed by the Company	1,436,815	1,982,393
Management fee receivable	257,441	221,688
Payables to C-Quadrat Group entities for professional and marketing services	(38,004)	(34,684)

'000 AMD	2022	2021
<b>Statement of profit or loss and other comprehensive income</b>		
Income from management fees	2,822,521	2,328,714
Net gain on financial assets at fair value through profit or loss	(165,577)	39,872
Professional and marketing services fees to C-Quadrat Group entities	(438,472)	(381,923)
Reimbursement to the Board member	(47,895)	(46,625)

Key management compensation comprising of short term benefits amounted to AMD 184,535 thousand (2021: AMD 177,103 thousand) and were included in administrative and other expenses for the year.

## 23. Reconciliation of liabilities arising from financing activities

'000 AMD	1 January 2022	Proceeds/ (repayments) - cash flows	Foreign exchange rate effect	Termination	Non-cash changes		31 December 2022
					Interest expense	Additions	
Lease liabilities	82,110	(36,180)	-	(58,523)	14,557	166,055	168,019

'000 AMD	1 January 2021	Foreign exchange rate effect	Non-cash changes		31 December 2021
			Interest expense	Additions	
Lease liabilities	97,610	-	8,667	-	82,110

## **24. New standards and interpretations not yet adopted**

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

### **(a) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)**

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Company currently accounts for a separate deferred tax asset and a deferred tax liability on leases. Per the management's assessment the changes will not have a material impact on amounts presented in the financial statements.

### **(b) Other standards**

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

- IFRS 17 *Insurance Contracts and amendments to IFRS 17 Insurance Contracts*.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).