Renshin LLC

Financial Statements
for 2021

Contents

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Independent Auditors' Report

To the Board of Directors of Renshin LLC

Opinion

We have audited the financial statements of Renshin LLC (the "Company"), which comprise the statement of financial position as at 31 December 2021, 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 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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:

Tigran Gasparyan
Engagement Partner, Director of KPMG Armenia LLC

KPMG Armenia LLC

KPMG Armenia LLC
14 July 2022

Statement of Financial Position as at 31 December 2021

'000 AMD	**Note**	**31 December 2021**	**31 December 2020**
Assets			
Property and equipment	10	827,020	850,987
Investment property	11	5,797,086	6,554,548
Intangible asset		146,361	568
Non-current assets		**6,770,467**	**7,406,103**
Inventories	12	9,748,693	8,447,917
Current tax assets		5,833	-
Trade and other receivables	13	320,182	1,315,197
Borrowings given		65,000	65,000
Cash and cash equivalents	14	903,167	251,227
Deposits		-	400,000
Current assets		**11,042,875**	**10,479,341**
Total assets		**17,813,342**	**17,885,444**
Equity			
Charter capital	15	3,000,000	3,000,000
Reserves		223,966	246,969
Capital distributions		(331,596)	(331,596)
Retained earnings		1,751,377	1,733,607
Total equity	**16**	**4,643,747**	**4,648,980**
Liabilities			
Loans and borrowings	17	7,671,926	8,392,695
Contract liabilities	18	2,265,772	-
Deferred tax liabilities	9	721,137	893,739
Non-current liabilities		**10,658,835**	**9,286,434**
Loans and borrowings	17	2,270,354	3,265,932
Contract liabilities	18	129,258	530,753
Trade and other payables		111,148	153,345
Current liabilities		**2,510,760**	**3,950,030**
Total liabilities		**13,169,595**	**13,236,464**
Total equity and liabilities		**17,813,342**	**17,885,444**

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 45.

Statement of Profit or Loss and Other Comprehensive Income for 2021

'000 AMD	Note	2021	2020
Revenue	6	1,000,564	6,304,674
Cost of sales	7	(627,149)	(4,495,491)
Gross profit		**373,415**	**1,809,183**
Change in fair value of investment properties	10(a)	(869,487)	-
Administrative expenses		(236,953)	(145,480)
Other income		7,652	49,463
Other expenses		(66,549)	(32,039)
Results from operating activities		**(791,922)**	**1,681,127**
Finance income	8	836,264	66,072
Finance costs	8	(186,192)	(653,862)
Net finance income/(cost)		**650,072**	**(587,790)**
Loss/(profit) before income tax		**(141,850)**	**1,093,337**
Income tax benefit/(expense)	9	159,620	(207,071)
Profit for the year		**17,770**	**886,266**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation of property and equipment		(28,053)	-
Related income tax	9(c)	5,050	-
Other comprehensive loss, net of income tax	10(a)	**(23,003)**	-
Total comprehensive (loss)/income for the year		**(5,233)**	**886,266**

These financial statements were approved by management on 14 July 2022 and were signed on its behalf by:

Eduard Marutyan
General Director

Kristine Chichyan
Chief Financial Officer

The statement of profit and loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 45.

Statement of Changes in Equty for 2021

’000 AMD	Charter capital	Reserves	Capital distributions	Retained earnings	Total
Balance at 1 January 2020	2,000,000	246,969	(65,000)	847,341	3,029,310
Total comprehensive income					
Profit for the year	-	-	-	886,266	886,266
Total comprehensive income	**-**	**-**	**-**	**886,266**	**886,266**
Transactions with owners of the Company					
Contributions and distributions					
Issue of ordinary shares	1,000,000	-	-	-	1,000,000
Capital distributions	-	-	(266,596)	-	(266,596)
Total contributions and distributions	**1,000,000**	**-**	**(266,596)**	**-**	**733,404**
Total transactions with owners of the Company	**1,000,000**	**-**	**(266,596)**	**-**	**733,404**
Balance at 31 December 2020	**3,000,000**	**246,969**	**(331,596)**	**1,733,607**	**4,648,980**
Balance at 1 January 2021	3,000,000	246,969	(331,596)	1,733,607	4,648,980
Total comprehensive income					
Profit for the year	-	-	-	17,770	17,770
Other comprehensive loss					
Revaluation of property and equipment	-	(23,003)	-	-	(23,003)
Total other comprehensive loss for the year	**-**	**(23,003)**	**-**	**-**	**(23,003)**
Total comprehensive loss	-	**(23,003)**	-	**17,770**	**(5,233)**
Balance at 31 December 2021	**3,000,000**	**223,966**	**(331,596)**	**1,751,377**	**4,643,747**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 45.

Statement of Cash Flows for 2021

’000 AMD	**Note**	**2021**	**2020**
Cash flows from operating activities			
Cash receipts from customers, including VAT:		2,982,293	4,827,484
− Transferred from restricted account	14(b)	-	4,029,272
− Advances received for the inventory properties under development (receipts to current bank accounts)	18(b)	2,219,737	-
− Cash receipts from the sale of completed inventory properties and investment property rentals		762,556	798,212
Capital expenditure related to inventory property under development including VAT and prepayments given		(1,455,347)	(387,814)
Acquisition of land for development		-	(7,800,000)
Cash paid to suppliers and employees, including VAT		(194,578)	(25,475)
VAT refund received from the state budget		1,178,781	183,105
Taxes paid other than on income and VAT		(109,370)	(728,396)
VAT paid		(65,248)	(367,739)
Other operating cash flows		(7,595)	15,189
Cash flows from/(used in) operations before interest paid		**2,328,936**	**(4,283,646)**
Income tax paid		(13,765)	-
Interest paid	17(b)	(803,855)	(374,918)
Net cash from/(used in) operating activities		**1,511,316**	**(4,658,564)**
Cash flows from investing activities			
Net flows from deposits		400,000	(346,625)
Interest received		16,771	59,324
Acquisition of intangible asset		(146,064)	-
Acquisition of property and equipment		(47,374)	(49,774)
Acquisition of investment properties		(191,174)	(170,756)
Proceeds from sale of investment property		56,745	526,265
Net cash from investing activities		**88,904**	**18,434**
Cash flows from financing activities			
Proceeds from issue of share capital		-	1,000,000
Proceeds from loans and borrowings		2,267,399	10,895,959
Repayment of loans and borrowings	17(b)	(3,207,410)	(7,292,893)
Net cash (used in)/from financing activities		**(940,011)**	**4,603,066**
Net increase/(decrease) in cash and cash equivalents		**660,209**	**(37,064)**
Cash and cash equivalents as at 1 January		251,228	289,443
Effect of exchange rate fluctuations on cash and cash equivalents		(8,270)	(1,152)
Cash and cash equivalents at 31 December	14	**903,167**	**251,227**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 45.

Notes to Financial Statements for 2021

1. Reporting entity

(a) Organisation and operations

Renshin LLC (the "Company") is a limited liability company incorporated in the Republic of Armenia on 2 October 2002.

The Company's registered office is 91 Pavstos Buzand Street, area 72, Yerevan 0002, Republic of Armenia.

The Company's principal activity is development of residential and business properties for sale and for rental purposes in Yerevan.

The Company is equally owned by Arayik Karapetyan and Eduard Marutyan, who have the power to direct the transactions of the Company at their own discretion and for their own benefit. In addition, they have a number of other business interests outside the Company.

Related party transactions are described in detail in Note 23.

(b) Armenian business environment

The Company's operations are primarily located in Armenia. Consequently, the Company is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but 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 the Armenia.

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

2. Basis of accounting

Statement of compliance

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

3. Functional and presentation currency

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

4. Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Notes 10 and 11 – valuation of building and investment properties.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

– Note 10 – property and equipment; and
– Note 11 – investment property.

5. Changes in significant accounting policies

A number of amendments to the existing standards are effective from 1 January 2021 but they do not have a material effect on the Company's financial statements.

6. Revenue

(a) Revenue streams

The Company generates revenue primarily from the sale of completed residential properties to its customers. Other sources of revenue include rental income from investment properties.

’000 AMD	**2021**	**2020**
Revenue from contracts with the customers		
Revenue from sale of completed inventory property – transferred at a point in time	803,981	6,157,933
Other revenue from contracts with customers	19,143	-
Total revenue from contracts with the customers	**823,124**	**6,157,933**
Other revenue		
Investment property rentals	177,440	146,741
Total other revenue	**177,440**	**146,741**
	1,000,564	**6,304,674**

As at 31 December 2021 the recognized value of contract liabilities is AMD 2,395,030 thousand (31 December 2020: AMD 530,753 thousand), for which revenue will be recognized when control over the promised property transferred to the customers (see Note 6(b)).

(b) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

‘000 AMD	**Note**	**31 December 2021**	**31 December 2020**
Receivables, which are included in ‘trade and other receivables’	13	10,000	25,725
Contract liabilities	18	2,395,030	530,753

The contract liabilities primarily relate to the advance consideration received from customers for pre-completion sales of properties under development (see Note 12(a)), for which revenue is recognised point in time.

(c) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policy.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Sale of completed inventory property	The control of the properties are transferred when the properties are accepted by the customers.	Revenue is recognised at a point in time when the properties are accepted by customers and and the act of transfer of the right of ownership is completed.
Pre-completion sales of the units in a multi-unit complex under construction	The Customer can terminate the contract at any time and the Company has only the right to retain the 20% of the deposit. The asset units created have no alternative use for the Company, as the contract restrict the Company from re-selling the unit of asset or substituting it with another unit. The customer does not have the ability to direct the use of the asset unit during the construction process.	Revenue is 13ecognized at point in time when the properties have been accepted by customers as the Company does not have an enforceable right to receive payment for performance completed to date. Advances received are accounted as contract liabilities.

7. Cost of sales

’000 AMD	**2021**	**2020**
Cost of sales		
Cost of sale of completed inventory property	627,149	4,495,491
Total cost of sale of completed inventory property	**627,149**	**4,495,491**

8. Net finance income/(costs)

’000 AMD	2021	2020
Interest income on on restriced accounts and deposits	7,557	66,072
Net foreign exchange income	828,707	-
Finance income	**836,264**	**66,072**
Interest expense on loans and borrowings (see Note 17(b))	(159,232)	(340,416)
Interest expense on contract liabilities (see Note 18(b))	(26,960)	-
Net foreign exchange loss	-	(313,446)
Finance costs	**(186,192)**	**(653,862)**
Net finance income/(costs) recognised in profit or loss	**650,072**	**(587,790)**

9. Income tax benefit/(expense)

(a) Amounts recognised in profit or loss

The Company’s applicable tax rate is the income tax rate of 18% for Armenian companies.

’000 AMD	2021	2020
Current tax expense	(7,932)	(101,584)
Deferred tax benefit/(expense)		
Origination and reversal of temporary differences	167,552	(105,487)
Total income tax benefit/(expense)	**159,620**	**(207,071)**

Reconciliation of effective tax rate:

	2021		2020	
	’000 AMD	%	’000 AMD	%
(Loss)/profit before tax	(141,850)	100%	1,093,337	100
Tax at applicable tax rate	25,533	(18%)	(196,801)	(18%)
Non-taxable income/ (non-deductible expenses)	134,087	(95%)	(10,270)	(1%)
	159,620	**(113%)**	**(207,071)**	**(19%)**

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
’000 AMD	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Property and equipment	-	-	(90,117)	(96,669)	(90,117)	(96,669)
Investment property	-	-	(666,401)	(806,848)	(666,401)	(806,848)
Inventories	27,285	-	-	(3,620)	27,285	(3,620)
Contruct liabilities	8,096	13,398	-	-	8,096	13,398
Net tax assets/(liabilities)	**35,381**	**13,398**	**(756,518)**	**(907,137)**	**(721,137)**	**(893,739)**

(c) Movement in deferred tax balances

	1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2021
Property and equipment	(96,669)	1,502	5,050	(90,117)
Investment property	(806,848)	140,447	-	(666,401)
Inventories	(3,620)	30,905	-	27,285
Contruct liabilities	13,398	(5,302)	-	8,096
	(893,739)	**167,552**	**5,050**	**(721,137)**

’000 AMD	**1 January 2020**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**31 December 2020**
Property and equipment	(100,279)	3,610	-	(96,669)
Investment property	(867,705)	60,856	-	(806,848)
Inventories	(39,495)	35,875	-	(3,620)
Contruct liabilities	177,972	(164,573)	-	13,398
Tax loss carry-forwards	41,256	(41,256)	-	-
	(788,251)	**(105,487)**	**-**	**(893,739)**

10. Property and equipment

'000 AMD	**Building**	**Vehicles**	**Office and computer equipment**	**Total**
Cost/Revalued amount				
Balance at 1 January 2020	788,991	110,089	47,061	946,141
Additions		1,942	39,537	41,479
Balance at 31 December 2020	**788,991**	**112,031**	**86,598**	**987,620**
Cost/Revalued amount				
Balance at 1 January 2021	788,991	112,031	86,598	987,620
Additions	-	790	38,688	39,478
Revaluation	(28,053)	-	-	(28,053)
Disposals	-	(24,459)	-	(24,459)
Elimination of accumulated depreciation	(28,053)	-	-	(28,053)
Balance at 31 December 2021	**732,885**	**88,362**	**125,286**	**946,533**
Depreciation				
Depreciation balance at 1 January 2020	(11,329)	(86,802)	(12,155)	(110,286)
Depreciation for the year	(8,362)	(10,293)	(7,692)	(26,347)
Balance at 31 December 2020	**(19,691)**	**(97,095)**	**(19,847)**	**(136,633)**
Depreciation				
Depreciation balance at 1 January 2021	(19,691)	(97,095)	(19,847)	(136,633)
Depreciation for the year	(8,362)	(10,439)	(16,591)	(35,392)
Disposals	-	24,459	-	24,459
Elimination of accumulated depreciation	28,053	-	-	28,053
Balance at 31 December 2021	**-**	**(83,075)**	**(36,438)**	**(119,513)**
Carrying amounts				
At 1 January 2020	777,662	23,287	34,906	835,855
At 31 December 2020	**769,300**	**14,936**	**66,751**	**850,987**
At 31 December 2021	**732,885**	**5,287**	**88,848**	**827,020**

Depreciation expense of AMD 27,030 thousand (2020: AMD 26,347 thousand) has been charged to administrative expenses.

(a) Revaluation of building

Management contracted Cost Consult LLC to independently appraise building as at 31 December 2021.

The fair value of building was determined to be AMD 732,885 thousand, which has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used (see Note 4). Revaluation surplus, net of related income tax of AMD 23,003 thousand is recognised in other comprehensive income for the year ended 31 December 2021.

The basis for the appraisal are the combination of:

- The market comparable approach. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. Key assumptions relate to the condition, quality and location of buildings used as comparatives. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property.
- The income capitalisation approach. Under this approach, forecast net cash flows, based upon current market derived estimated rental values (market rents) together with estimated costs, are discounted at market derived capitalisation rates to produce the valuer's opinion of fair value. The average discount rate, which, if applied to all cash flows would produce the fair value, is described as the equivalent yield.

Significant unobservable inputs of the approach are as follows:

- Operating expenses (15%);
- Occupancy rate (95%);
- Capitalization rate (5.5%).

(b) Security

At 31 December 2021 there is no property and equipment item pledged as collateral (31 December 2020: vehicle with a carrying amount of AMD 14,876 thousand was pledged as collateral).

11. Investment property

(a) Reconciliation of carrying amount

'000 AMD	**2021**	**2020**
Balance at 1 January	6,554,548	7,119,118
Acquisitions	159,312	143,080
Disposals	(47,287)	(707,650)
Change in fair value	(869,487)	-
Balance at 31 December	**5,797,086**	**6,554,548**

Investment property comprises primarily commercial properties held with the aim of capital appreciation and earnings rentals or both and properties with undetermined future use.

Changes in fair values are recognised as gains in profit or loss. All gains are unrealised.

(b) Measurement of fair value

(i) Fair value hierarchy

Management contracted Cost Consult LLC to independently appraise building as at 31 December 2021.

The fair value measurement for investment property of AMD 5,797,086 thousand has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 4). There have been no transfers of properties within the fair value hierarchy in the financial year.

The following valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs:

- The market comparable approach. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. Key assumptions relate to the condition, quality and location of buildings used as comparatives. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property.

- The income capitalisation approach. Under this approach, forecast net cash flows, based upon current market derived estimated rental values (market rents) together with estimated costs, are discounted at market derived capitalisation rates to produce the valuer's opinion of fair value. The average discount rate, which, if applied to all cash flows would produce the fair value, is described as the equivalent yield.

Significant unobservable inputs of the approach are:

– Operating expenses (15%);
– Occupancy rate (95%);
– Capitalization rate (5.5%).

(c) Security

At 31 December 2021 investment properties with a carrying amount of AMD 2,044,167 thousand (31 December 2020: AMD 2,736,698 thousand) are pledged as collateral for secured bank loan 6 (31 December 2020: secured bank loan 7 (see Note 17(a)).

12. Inventories

'000 AMD	**31 December 2021**	**31 December 2020**
Completed inventory property	1,233,057	1,817,205
Inventory property under development	8,515,636	6,630,712
	9,748,693	**8,447,917**

(a) Inventory property under development

As at 31 December 2021 there was inventory property under development with amount of AMD 8,515,636 thousand (31 December 2020: AMD 6,630,712 thousand) and is pledged as collateral for secured bank loan 1.

Inventory property under development as at 31 December is as follows (by projects):

Name of the project	Location of the project	Type of the project	31 December 2021 '000 AMD	31 December 2020 '000 AMD
Teryan 107	Kentron administrative district, Yerevan	Residential multi-unit complex (part of land)	8,515,636	6,630,712

During 2021 borrowing costs of AMD 705,214 thousand (see Note 17(b)) and financing component of AMD 19,075 thousand (see Note 18(b)) (2020: 33,831 thousand and Nil) were capitalised into inventory property under development. The borrowing costs related to the acquisition of land and development of inventory property. The specific loan capitalisation rate used to deremine the amount of borrowing costs eligible for capitalisation was 10%. The financing component capitalization rate was 11%.

(b) Completed inventory property

At 31 December 2021 completed inventory property with a carrying amount of AMD 582,933 thousand is pledged as collateral for secured bank loans 3, 4, 5 (see Note 17(a)).

Completed inventory property as at 31 December is as follows (by projects):

Name of the project	Location of the project	Type of the project	31 December 2021 '000 AMD	31 December 2020 '000 AMD
Davtashen I	Davtashen administrative district, Yerevan	Residential apartments and parking spaces	137,894	228,080
Davtashen II	Davtashen administrative district, Yerevan	Residential multi-unit complex apartments and parking spaces	1,095,163	1,589,125

13. Trade and other receivables

'000 AMD	31 December 2021	31 December 2020
Trade receivables	45,880	42,326
Prepayments given	93,805	82,337
Tax receivables other than on income tax	156,014	1,181,240
Other receivables	24,483	9,294
	320,182	**1,315,197**

The allowance for impairment over trade receivables is considered immaterial.

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 19.

14. Cash and cash equivalents

’000 AMD	31 December 2021	31 December 2020
Bank balances		
- rated from BB- to BB+	718,850	87,475
- rated from B- to B+	5,588	49,644
- not rated	92,638	68,187
Bank balances (current accounts)	**817,076**	**205,306**
Petty cash	86,091	45,921
Cash and cash equivalents in the statement of financial position	**903,167**	**251,227**

The Company’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 19.

The Company has no balances on restricted accounts as at 31 December 2021 (31 December 2020: nil).

The Company’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 19.

Developer’s special accounts had been opened for purposes to receive payments from customers in frames of the pre completion sales agreement between the customers and the Company. The funds might be debited from the special accounts, if the developer and buyer had a consent on it or after transfer the ownership right to the buyer and completion of the contract.

(a) Reconciliation of carrying amount (developer’s restricted special accunts)

‘000 AMD	Note	2021	2020
Balance at 1 January		-	3,875,981
Advances received for the sales of inventory properties	18(b)	-	153,291
Balances held on restricted accounts used in operations (transfers from developers special accounts to current bank accounts)		-	(4,029,272)
Balance at 31 December		-	-

15. Capital and reserves

(a) Charter capital

The owners of charter capital are entitled to receive dividends as declared from time to time. In accordance with Armenian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRS.

(b) Dividends

No dividends were declared at the reporting date and during 2021 (31 December 2020: nil).

(c) Capital distributions

Capital distributions in 2020 relates to below market price sales of investment property to shareholder related party.

(d) Revaluation surplus

The revaluation surplus relates to the revaluation of property and equipment.

16. Capital management

The Company has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Company's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Company's revenues and profit, and long-term investment plans mainly financed by through loans and borrowings. With these measures the Company aims for steady profits growth.

The Company's debt to equity ratio at the end of the reporting period was as follows:

'000 AMD	**31 December 2021**	**31 December 2020**
Total liabilities	13,169,595	13,236,464
Less: cash and cash equivalents	903,167	251,227
Net debt	**12,266,428**	**12,985,237**
Total equity	4,643,747	4,648,980
Net debt to equity ratio at 31 December	**2.6**	**2.8**

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

17. Loans and borrowings

This note provides information about the contractual terms of the Company's loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see Note 19.

'000 AMD	31 December 2021	31 December 2020
Non-current liabilities		
Secured bank loans	7,383,632	8,392,695
Unsecured borrowings from third party	288,294	-
	7,671,926	**8,392,695**
Current liabilities		
Secured bank loans	403,297	1,760,930
Unsecured bank loan	-	82,245
Unsecured borrowings from related parties	980,356	496,460
Unsecured loan from business partner of participant	886,171	926,297
Unsecured borrowings from third party	530	-
	2,270,354	**3,265,932**

(a) Terms and debt repayment schedule

				31 December 2021		31 December 2020	
'000 AMD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured bank loan 1	USD	8%	2025	6,752,900	6,752,900	7,349,843	7,349,843
Secured bank loan 2	USD	5.3%	2021	-	-	1,307,037	1,307,037
Secured bank loan 3	AMD	11.5%	2022	30,834	30,834	123,333	123,333
Secured bank loan 4	AMD	11%	2024	262,083	262,083	354,583	354,583
Secured bank loan 5	AMD	11%	2024	19,323	19,323	25,948	25,948
Secured bank loan 6	USD	8%	2022	-	-	992,881	992,881
Secured bank loan 7	USD	8%	2024	721,789	721,789	-	-
Unsecured bank loan 1	USD	8%	2022	-	-	82,245	82,245
Unsecured borrowings from business partner of participant	AMD	0%	On demand	430,000	430,000	429,835	429,835
Unsecured borrowings from business partner of participant	USD	0%	On demand	456,171	456,171	496,462	496,462
Unsecured borrowings from related party	USD	8%	2022	556,474	556,474	496,460	496,460
Unsecured borrowing from related party	AMD	10%	2022	423,882	423,882	-	-
Unsecured borrowing from third party	USD	6%	2024	288,824	288,824	-	-
				9,942,280	**9,942,280**	**11,658,627**	**11,658,627**

Bank loans are secured by the following:

- Secured bank loans 3, 4 and 5 are secured by inventory property with carrying amount of AMD 582,933 thousand (31 December 2020: AMD 428,725 thousand), see Note 11(a) and Note 11(b).
- Secured bank loan 1 is secured by inventory property under construction with carrying amount of AMD 8,515,637 thousand (31 December 2020: AMD 6,630,712 thousand), see Note 11(a) and Note 11(b).
- Secured bank loans 6 and 7 are secured by investment property with carrying amount of AMD 2,044,167 thousand (31 December 2020: AMD 2,736,698 thousand).
- Secured bank loans 1 and 2 are secured by cash and cash equivalents with amount of AMD 717,595 thousand (31 December 2020: AMD 87,006 thousand).

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

		Liabilities	**Equity**	
’000 AMD	**Note**	**Other loans and borrowings**	**Charter capital**	**Total**
Balance at 1 January 2021		**11,658,627**	**3,000,000**	**14,658,627**
Changes from financing cash flows				
Proceeds from loans and borrowings		2,267,399	-	2,267,399
Repayment of loans and borrowings		(3,207,410)	-	(3,207,410)
Total changes from financing cash flows		**(940,011)**	**-**	**(940,011)**
The effect of changes in foreign exchange rates		**(836,927)**	**-**	**(836,927)**
Other changes				
Liability-related				
Capitalised borrowing costs	12(a)	705,214	-	705,214
Interest expense	8	159,232	-	159,232
Interest paid		(803,855)	-	(803,855)
Total liability-related other changes		**60,591**	**-**	**60,591**
Balance at 31 December 2021		**9,942,280**	**3,000,000**	**12,942,280**

		Liabilities	Equity	
’000 AMD	**Note**	**Other loans and borrowings**	**Charter capital**	**Total**
Balance at 1 January 2020		**7,763,235**	**2,000,000**	**9,763,235**
Changes from financing cash flows				
Proceeds from issue of share capital		-	1,000,000	1,000,000
Proceeds from loans and borrowings		10,895,983	-	10,895,983
Repayment of loans and borrowings		(7,278,842)	-	(7,278,842)
Total changes from financing cash flows		**3,617,141**	**1,000,000**	**4,617,141**
The effect of changes in foreign exchange rates		**312,272**	**-**	**312,272**
Other changes				
Liability-related				
Capitalised borrowing costs	12(a)	33,831	-	33,831
Interest expense	8	340,416	-	340,416
Interest paid		(408,268)	-	(408,268)
Total liability-related other changes		**(34,021)**	-	**(34,021)**
Balance at 31 December 2020		**11,658,627**	**3,000,000**	**14,658,627**

18. Contract liabilities

’000 AMD	**31 December 2021**	**31 December 2020**
Current liabilities		
Advances received for completed inventory properties	112,407	457,477
Capitalized interest due to time value of money component	16,851	73,276
	129,258	**530,753**
Non current liabilities		
Pre-completion advances received for of inventory properties under development	2,219,737	**-**
Capitalized interest due to time value of money component	46,035	**-**
	2,265,772	**-**

The contract liabilities primarily relate to the advance consideration received from customers based for the pre-completion sales of the inventory properties under development based on the contracts between the Company and customer in the right to purchase immovable property in a building under construction, for which revenue is recognised point in time at the date of the transfer of the control to the customer.

In accordance with the Civil Code of the Republic of Armenia advance payments by customer for the apartment purchases shall be made exclusively to the special accounts of the Company, which shall be opened with a bank operating on the territory of the Republic of Armenia.

(a) Significant financing component

These contracts contain significant financing component because of the length of time between when the consideration was received and when the Company transfer the control to the customer. Under IFRS 15 for these contracts the amount of consideration is adjusted to reflect the time value of money using rate that would be reflected in a separate financing transaction between the Company and its customer at contract inception.

The effect of a significant financing component was estimated using the interest rate of 10% to 12%, depending on the date of inception of the contract and expected receipt of prepayments.

The impact of these changes on items other than revenue is an increase in contract liability.

(b) Reconciliation of carrying amount

’000 AMD	**Note**	**2021**	**2020**
Balance at 1 January		530,753	6,978,172
Set-off with trade receivables		(487,605)	(7,361,085)
Advances received for the sales of inventory properties (receipts to the developer’s special accounts)	14(a)	-	153,291
Advances received for the pre-completion sales of inventory properties under development (receipts to current bank accounts)		2,219,737	-
Advances received for the completed inventory properties (receipts to current bank accounts)		86,110	760,375
Interest expense on contract liabilities recognised in profit or loss	8	26,960	-
Financing component capitalised on inventory property under development	12(a)	19,075	-
Balance at 31 December		**2,395,030**	**530,753**

19. Fair values and risk management

(a) Accounting classifications and fair values

The estimated fair value of all the financial assets and liabilities approximates their carrying amounts.

(b) Measurement of fair values

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Loans and receivables	Discounted cash flows	Not applicable
Other financial liabilities*	Discounted cash flows	Not applicable

* Other financial liabilities include loans and borrowings and trade payables.

(c) Financial risk management

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

- credit risk;
- liquidity risk;
- market risk.

(i) Risk management framework

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and balances with financial institutions.

The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

Due to nature of its activities the Company has no significant credit risk from receivables from customers.

Cash and cash equivalents, and balances held on restricted accounts and deposits

The Company held balances (current accounts) of AMD 817,076 thousand (31 December 2020: balances (current accounts) of AMD 205,305 thousand and deposits of AMD 400,000 thousand), which represents its maximum credit exposure on these assets. All the balances are held with reputable Armenian banks and the Company does not expect them to fail to meet their obligations.

Current accounts and balances held on restricted accounts and deposits are fully in Stage 1 and ECL has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company's approach for assessment of ECLs for cash and cash equivalents is presented in Note 25(l).

Financial guarantee contracts

The Company does not consider that financial guarantee contracts entered into by the Company to guarantee the indebtedness of other parties are insurance arrangements, and accounts for them under IFRS 9. The Company's policy is to provide financial guarantees only for related parties' liabilities. At 31 December 2021 and 31 December 2020, the Company has issued guarantees to certain banks in respect of loans granted to its participant and entities under control of participant (see Note 21(b)).

The Company's approach for assessment of ECLs for financial guarantee contracts is presented in Note 25(l).

(iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

31 December 2021

		Contractual cash flows					
’000 AMD	**Carrying amount**	**Total**	**On demand**	**Less than 2months**	**2-12 months**	**1-2 years**	**2-5 years**
Non-derivative financial liabilities							
Secured bank loans	7,786,929	9,913,584	-	200,175	914,609	1,051,348	7,747,452
Unsecured borrowings from related party	980,356	981,015	-	981,015	-	-	-
Unsecured loan from business partner of participant	886,171	886,171	886,171	-	-	-	-
Unsecured borrowings from third party	288,824	357,771	-	3,521	19,396	23,365	311,489
Trade payables	77,474	77,474		77,474			
Total	**10,019,754**	**12,216,015**	**886,171**	**1,262,185**	**934,005**	**1,074,713**	**8,058,941**
Financial guarantess provided (off balance)	149,042	149,042	-	-	5,000	144,042	-
31 December 2021	**10,168,796**	**12,365,057**	**886,171**	**1,262,185**	**939,005**	**1,218,755**	**8,058,941**

31 December 2020

		Contractual cash flows					
’000 AMD	**Carrying amount**	**Total**	**On demand**	**Less than 2months**	**2-12 months**	**1-2 years**	**2-5 years**
Non-derivative financial liabilities							
Secured bank loans	10,235,870	12,726,037	-	1,533,998	962,791	1,523,218	8,706,030
Unsecured borrowings from related party	496,460	534,076	-	-	534,076	-	-
Unsecured loan from business partner of participant	926,297	926,461	926,461	-	-	-	-
Trade payables	40,964	40,964	-	40,964	-	-	-
Total	**11,699,591**	**14,227,538**	**926,461**	**1,574,962**	**1,496,867**	**1,523,218**	**8,706,030**
Financial guarantess provided (off balance)	161,777	161,777	-	-	156,777	5,000	-
31 December 2020	**11,861,368**	**14,389,315**	**926,461**	**1,574,962**	**1,653,644**	**1,528,218**	**8,706,030**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company does not apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The Company is exposed to currency risk on loans and borrowings that are denominated in currencies other than the functional currency of the Company. The currency in which these transactions primarily are denominated is USD.

Exposure to currency risk

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

'000 AMD	**USD-denominated**	**USD-denominated**
	31 December 2021	**31 December 2020**
Cash and cash equivalents	722,800	79,838
Loans and borrowings	(8,776,158)	(10,724,928)
Net exposure	**(8,053,358)**	**(10,645,090)**

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

in AMD	**Average rate**		**Reporting date spot rate**	
	2021	**2020**	**2021**	**2020**
	503.19	489.31	480.14	522.59

Sensitivity analysis

A reasonably possible strengthening (weakening) of the AMD, as indicated below, against the USD at 31 December would have increased (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

'000 AMD	**Strengthening**	**Weakening**
	Profit or loss	**Profit or loss**
31 December 2021		
AMD 10% movement against USD	805,336	(805,336)
31 December 2020		
AMD 10% movement against USD	1,064,509	(1,064,509)

Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Company over the expected period until maturity.

Exposure to interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
'000 AMD	**2021**	**2020**
Fixed rate instruments		
Financial assets	-	400,000
Financial liabilities	9,942,280	(11,658,627)
	9,942,280	**(11,258,627)**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial instruments as fair value through profit or loss or as fair value through other comprehensive income. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

20. Leases

(a) Leases as lessee

The Company was not involved in lease contracts as a lessee during 2021.

(b) Leases as lessor

The Company leases out its investment properties (see Note 11). All leases are classified as operating leases from a lessor perspective, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Company during 2021 was AMD 177,440 thousand (in 2020: AMD 146,741 thousand) were included in revenue (see Note 6).

The following table sets out a maturity analysis of expected lease payments, showing the undiscounted lease payments to be received after the reporting date.

'000 AMD	
2021 – Operating leases under IFRS 16	
Less than one year	239,535
One to two years	173,023
Two to three years	151,970
Three to four years	98,962
Four to five years	32,436
More than five years	-
Total	**695,926**
2020 – Operating leases under IFRS 16	
Less than one year	202,070
One to two years	202,070
Two to three years	122,841
Three to four years	102,755
Four to five years	47,247
More than five years	3,675
Total	**680,658**

21. Commitments

(a) Capital expenditure related to inventory property under development

The Contract with the constructor do not define the total project implementation cost and payment is performed based on the acts provided. The Company has a right to cease the contract at any time during the project by compensating the actual cost of the constractor.

(b) Guarantees to related parties

The Company accounts these contracts under IFRS 9. The standard requires to measure the contract initially at fair value, and subsequently at the higher of the amount of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Company's policy is to provide financial guarantees only for under related partys' liabilities.

At 31 December 2021 and 31 December 2020, the Company has guaranteed the performance of its participant and entities under control of participants under the bank loan agreements.

The contract amount and outstanding balance of the guarantee provided to the participant is AMD 144,042 thousand as at 31 December 2020 (31 December 2020: AMD 156,777 thousand). The total contract amount and outstanding balance of the guarantees provided to entities under control of participants is AMD 5,000 thousand (31 December 2020: AMD 5,000 thousand).

All guarantees are in stage 1, and management estimates that the ratings are approximates to B- based on Standard & Poor's rating system.

Under the guarantee agreements, the Company irrevocably and unconditionally:

– guarantee to the banks punctual performance of all the obligations of the guarantors or borrowers under the bank loan agreements;
– undertake with the banks that whenever the borrowers do not pay any amount when due under or in connection with the loan agreements, the Company shall immediately on demand pay that amount as if it was the principal obligor.

Management believes that the fair value at initial recognition of the financial guarantee issued and respective ECL allowance is immaterial.

Management estimates that it is not probable that payments will be required from the Company under the guarantees provided.

22. Contingencies

(a) Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Company property or relating to Company operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

(b) Litigations

In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the results of operations or financial position of the Company.

(c) Taxation contingencies

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

Transfer pricing legislation enacted in the Republic of Armenia starting from 1 January 2020. The legislation is effective for the financial year 2020 and onwards. The local transfer pricing rules are closer to OECD guidelines, but with uncertainty in practical application of tax legislation in certain circumstances.

Transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

Transfer pricing rules apply to the transactions listed below, if the total amount of the controlled transaction exceeds AMD 200 million in the tax year:

– cross-border transactions between related parties;
– cross-border transactions with companies registered in offshore zones, regardless of being related party or not;
– certain in-country transactions between related parties, as determined under the Armenian Tax Code.

Since there is no practice of applying the transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these financial statements.

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.

23. Related parties

(a) Parent and ultimate controlling party

The Company is equally owned by Arayik Karapetyan and Eduard Marutyan, who jointly control the Company.

(b) Transactions with members of the Board of Directors and the Management

Total remuneration included in administrative expenses during the year is as follows:

’000 AMD	2021	2020
Salaries and bonuses	**34,607**	**23,180**

(c) Other related party transactions

‘000 AMD	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2021	2020	2021	2020
Sale of apartment and parkings	-	441,054		-
Investment property rentals:				
Entities under control of participants	122,761	91,170	6,395	8,595
Prepayments received for investment property rentals:				
Entities under control of participants	250	72,000	-	39,780
Advances received for the pre-completion sales of inventory properties under development:				
Other related parties	50,759	2,363	50,759	33,574
Donations acted in the capacity of participants:				
Entities under control of participants	5,000	6,000	-	-

'000 AMD	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2021	2020	2021	2020
Sale of apartment and parkings	-	441,054		-
Loans and borrowings received:				
Participant	280,000	-		-
Entities under control of participants	977,895	1,720,029	980,356	496,461
Other related parties	-	-	886,171	926,297
Financial guarantees provided:				
Participant	-	-	144,042	156,777
Entities under control of participants	-	(191,880)	5,000	5,000
Purchase of lands:				
Entities under control of participants	-	7,800,000	-	-

Terms of the loans and borrowings received from related parties are described in Note 17(a).

Detailes of the financial guarantees provided to related parties are described in Note 21(b).

During 2021 interest expense of AMD 75,770 thousand (2020s: AMD 25,674 thousand) was accrued on loans and borrowings received from related parties.

24. Basis of measurement

The financial statements are prepared on the historical cost basis, except for investment properties and building (included in property and equipment category) stated at fair value as determined by independent appraisal.

25. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

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

(a) Revenue

Information about the Company's accounting policies relating to contracts with customers is provided in Note 6(c).

(b) Contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers for property purchase contracts, for which revenue is recognised on transfer of the property.

The effect of financing (interest expense) is presented separately from revenue from contracts with customers in the statement of profit or loss and other comprehensive income and included in 'finance costs'.

(c) Finance income and finance costs

The Company's finance income and finance costs include:

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

Interest income or expense on financial instruments is recognised using the effective interest method, except for the interest expense calculated on contract liabilities.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.
Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in profit or loss.

(e) Short-term employee benefits

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

(f) Income tax

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

(i) Current tax

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

(ii) Deferred tax

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

The measurement of deferred tax reflects the tax consequences that would follow 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.

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

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment, except for building are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Revaluation of building

Building is measured at fair value, based on periodic valuation by external independent valuator. A revaluation increase on building is recognised directly under the heading of revaluation surplus in other comprehensive income, except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on a building is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised in other comprehensive income.

(iv) Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives of significant items of property and equipment for the current and comparative periods are as follows:

- building 100 years;
- vehicles 5 years;
- office and computer equipment 1-5 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(v) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified accordingly.

(i) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

The effect of sales of Investment properties below market value where the counterparty is related or owner related, is recognized through equity accounts.

(j) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

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

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

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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

Financial assets – Business model assessment

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

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

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

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

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

- contingent events that would change the amount or timing of cash flows;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

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

Financial assets – Subsequent measurement and gains and losses

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

Financial liabilities comprise of loans and borrowings and trade and other payables.

(iii) Modification of financial assets and financial liabilities

Financial assets

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

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Company analogizes to the guidance on the derecognition of financial liabilities.

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

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

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

Financial liabilities

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

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

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

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

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

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

(iv) Derecognition

Financial assets

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

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

Financial liabilities

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

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

(v) Offsetting

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

(k) Charter capital

Ordinary shares

The shares of the Company are redeemable at the option of the shareholder under the legislation of the Republic of Armenia. The entity is obliged to pay a withdrawing shareholder its share of the net assets of the entity for the year of withdrawal in cash or, with the consent of the shareholder, by an in-kind transfer of assets.

In accordance with IAS 32 *Financial Instruments: Presentation* the net assets attributable to shareholders are classified as equity in all periods presented in these financial statements because the management concluded that the Company's puttable financial instruments satisfy all the conditions set in IAS 32 for equity presentation of puttable instruments.

(l) Impairment

(i) Non-derivative financial assets

Financial instruments

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost. Loss allowances for collectively assessed trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 360 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(m) Provisions

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

(n) 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.

(i) As a lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

26. New standards and interpretations not yet adopted

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

(a) Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Company has determined that there will be no uncompleted contracts before the amendments become effective.

(b) Other standards

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

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
- Annual Improvements to IFRS Standards 2018–2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- 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).