Renshin LLC

Consolidated Financial Statements for 2023

Contents

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Independent Auditors' Report

To the Shareholders and Board of Directors of Renshin LLC

Opinion

We have audited the consolidated financial statements of Renshin LLC (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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:

Davit Shamshyan
Engagement Partner

Irina Gevorgyan
Managing Partner
Director of KPMG Armenia LLC

KPMG Armenia LLC
28 June 2024

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Consolidated Statement of Financial Position as at 31 December 2023

'000 AMD	Note	31 December 2023	31 December 2022
Assets			
Property and equipment	10	1,147,912	950,357
Investment property	11	12,470,605	9,756,541
Intangible asset		158,647	152,842
Non-current assets		**13,777,164**	**10,859,740**
Inventories	12	39,860,981	25,879,947
Trade and other receivables	13	743,053	349,382
Borrowings given		145,000	125,000
Cash and cash equivalents	14	1,074,831	1,637,665
Balances held on restricted accounts	14	1,061,738	611,620
Current assets		**42,885,603**	**28,603,614**
Total assets		**56,662,767**	**39,463,354**
Equity			
Charter capital	15	3,000,000	3,000,000
Reserves		426,418	343,159
Retained earnings		2,974,026	2,951,236
Total equity	16	**6,400,444**	**6,294,395**
Liabilities			
Loans and borrowings	17	11,044,014	10,009,211
Lease liability		86,035	-
Trade and other payables	19	2,208,928	2,942,077
Deferred tax liabilities	9	991,260	980,600
Non-current liabilities		**14,330,237**	**13,931,888**
Loans and borrowings	17	6,025,358	1,296,588
Lease liability		20,063	-
Contract liabilities	18	25,610,682	14,920,026
Trade and other payables	19	4,256,363	3,020,457
Current tax liability		19,620	-
Current liabilities		**35,932,086**	**19,237,071**
Total liabilities		**50,262,323**	**33,168,959**
Total equity and liabilities		**56,662,767**	**39,463,354**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 41.

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

'000 AMD	Note	2023	2022
Revenue	6	505,928	675,566
Cost of sales	7	(185,222)	(310,529)
Gross profit		**320,706**	**365,037**
Change in fair value of investment property	11(a)	2,257,326	1,671,341
Marketing and selling expenses		(714,579)	(14,023)
Administrative expenses		(580,047)	(347,891)
Other income		42,719	15,865
Other expenses		(49,576)	(204,835)
Results from operating activities		**1,276,549**	**1,485,494**
Finance income	8	213,994	1,474,686
Finance costs	8	(1,455,749)	(560,831)
Net finance (costs)/income		**(1,241,755)**	**913,855**
Profit before income tax		**34,794**	**2,399,349**
Income tax expense	9	(12,004)	(284,209)
Profit for the year		**22,790**	**2,115,140**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation of property and equipment	10	101,535	145,357
Related income tax	9(c)	(18,276)	(26,164)
Other comprehensive income, net of income tax	10(a)	**83,259**	**119,193**
Total comprehensive income for the year		**106,049**	**2,234,333**

These consolidated financial statements were approved by management on 28 June 2024 and were signed on its behalf by:

Eduard Marutyan
General Director

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Kristine Chichyan
Chief Financial Officer

The consolidated statement of profit and loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 41.

Consolidated Statement of Changes in Equty for 2023

’000 AMD	Charter capital	Reserves	Retained earnings	Total
Balance at 1 January 2022	3,000,000	223,966	1,419,781	4,643,747
Total comprehensive income				
Profit for the year	-	-	2,115,140	2,115,140
Other comprehensive income				
Revaluation of property and equipment	-	119,193	-	119,193
Total other comprehensive income for the year	**-**	**119,193**	**-**	**119,193**
Total comprehensive income	-	**119,193**	**2,115,140**	**2,234,333**
Transactions with owners of the Company				
Dividends paid	-	-	(583,685)	(583,685)
Total transactions with owners of the Comapny	-	-	**(583,685)**	**(583,685)**
Balance at 31 December 2022	**3,000,000**	**343,159**	**2,951,236**	**6,294,395**
Balance at 1 January 2023	3,000,000	343,159	2,951,236	6,294,395
Total comprehensive income				
Profit for the year	-	-	22,790	22,790
Other comprehensive income				
Revaluation of property and equipment	-	83,259	-	83,259
Total other comprehensive income for the year	**-**	**83,259**	**-**	**83,259**
Total comprehensive income	**-**	**83,259**	**22,790**	**106,049**
Balance at 31 December 2023	**3,000,000**	**426,418**	**2,974,026**	**6,400,444**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 41.

Consolidated Statement of Cash Flows for 2023

’000 AMD	Note	2023	2022
Cash flows from operating activities			
Cash receipts from customers, including VAT:		8,648,844	12,635,281
− Transferred from restricted account	14(a)	1,953,886	2,362,607
− Advances received for the inventory property under development (receipts to current bank accounts)	18(b)	6,132,305	9,860,423
− Cash receipts from the sale of completed inventory property and investment property rentals		562,653	412,251
Capital expenditure related to inventory property under development including VAT and prepayments given		(11,781,218)	(10,444,744)
Acquisition of property for development	12(a)	(1,420,000)	(1,422,362)
Cash paid to suppliers and employees, including VAT		(1,313,774)	(196,161)
Advances returned to customers		(10,432)	(1,054,004)
VAT refund received from the state budget		1,384,000	1,567,000
Taxes paid other than on income and VAT		(100,809)	(205,092)
Other operating cash flows		(16,054)	(60,609)
Cash flows (used in)/from operations before income tax and interest paid		**(4,609,443)**	**819,309**
Income tax paid		-	(45,077)
Interest paid	17(b)	(1,214,229)	(781,155)
Net cash used in operating activities		**(5,823,672)**	**(6,923)**
Cash flows from investing activities			
Borrowings given		(20,000)	(125,000)
Interest received		-	16,333
Acquisition of property and equipment		(31,916)	(10,109)
Acquisition of investment property		(548,792)	(1,483,972)
Proceeds from sale of property and equipment		-	400
Net cash used in investing activities		**(600,708)**	**(1,602,348)**
Cash flows from financing activities			
Proceeds from loans and borrowings	17(b)	7,174,779	4,228,753
Repayment of loans and borrowings	17(b)	(1,293,109)	(1,226,836)
Dividends paid		-	(554,501)
Net cash from financing activities		**5,881,670**	**2,447,416**
Net (decrease)/increase in cash and cash equivalents		**(542,710)**	**838,145**
Cash and cash equivalents as at 1 January		1,637,665	903,167
Effect of exchange rate fluctuations on cash and cash equivalents		(20,124)	(103,647)
Cash and cash equivalents at 31 December	14	**1,074,831**	**1,637,665**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 41.

Notes to Consolidated Financial Statements for 2023

1. Reporting entity

(a) Organisation and operations

These consolidated financial statements have been prepared for the year ended 31 December 2023 for Renshin LLC (the "Company") and its subsidiary (together referred to as the "Group").

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 24.

In July 2023 the Company founded a ArtLife Residences LLC (the "Subsidiary"). The Subsidiary is 100% owned by the Company as at 31 December 2023. The Company does not have any other subsidiary as at 31 December 2022. The principal activity of the Subsidiary is management of Artlife Kempinski Residences.

(b) Armenian business environment

The Group's operations are primarily located in Armenia. Consequently, the Group 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 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 September 2023 the Azerbaijani forces started a new military operation leading to the fleeing of the Nagorno-Karabakh population to Armenia and leaving Azerbaijan in effective control of the territory.

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

2. Basis of accounting

Statement of compliance

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

3. Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram (“AMD”), which is the Group’s functional currency and the currency in which these consolidated 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 consolidated 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 consolidated financial statements is included in the following notes:

– Note 6 (c) – revenue recognition: whether revenue from completed inventory property and pre-completion sales is recognized over time or at a point in time;
– Note 10 – valuation of buildings;
– Note 11 – valuation of investment properties;

Measurement of fair values

A number of the Group’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 Group 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 Group 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 Notes 10 and 11 – valuation of building and investment property.

5. Changes in material accounting policies

A number of amendments to the existing standards are effective from 1 January 2023 but they do not have a material effect on the Group's consolidated financial statements.

Material accounting policy information

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

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

Management reviewed the accounting policies and made updates to the information disclosed in Note 25 Material Accounting Policies (2022: Significant accounting policies) in certain instances in line with the amendments.

6. Revenue

(a) Revenue streams

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

'000 AMD	**2023**	**2022**
Revenue from contracts with the customers		
Revenue from sale of completed inventory property – transferred at a point in time	235,863	489,410
Other revenue from contracts with customers	4,917	6,571
Total revenue from contracts with the customers	**240,780**	**495,981**
Other revenue		
Investment property rentals	265,148	179,585
Total other revenue	**265,148**	**179,585**
	505,928	**675,566**

As at 31 December 2023 the recognized value of contract liabilities is AMD 25,610,682 thousand (31 December 2022: AMD 14,920,026 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 2023	31 December 2022
Receivables, which are included in ‘trade and other receivables’	13	23,500	15,000
Contract liabilities	18	25,610,682	14,920,026

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 Group 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 property are transferred when the property is accepted by the customers.	Revenue is recognised at a point in time when the property is 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 Group has only the right to retain the 20% of the deposit. The asset units created have no alternative use for the Group, as the contract restrict the Group 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 recognized at point in time when the property is accepted by customers as the Group 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	2023	2022
Cost of sales		
Cost of sale of completed inventory property	185,222	310,529
Total cost of sale of completed inventory property	**185,222**	**310,529**

8. Net finance (costs)/income

’000 AMD	**2022**	**2022**
Interest income on restricted accounts and deposits	63,472	16,338
Net foreign exchange income	150,522	1,458,348
Finance income	**213,994**	**1,474,686**
Interest expense on contract liabilities (Note 18(b))	(944,407)	(340,559)
Interest expense on payable for property purchase (Note 19)	(503,134)	(63,517)
Other Interest expense	(8,208)	-
Interest expense on loans and borrowings (Note 17(b))	-	(150,190)
Interest expense on swap instruments	-	(6,565)
Finance costs	**(1,455,749)**	**(560,831)**
Net finance (costs)/income recognised in profit or loss	**(1,241,755)**	**913,855**

9. Income tax expense

(a) Amounts recognised in profit or loss

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

’000 AMD	**2023**	**2022**
Under provided in prior years	(19,620)	(50,910)
Deferred tax benefit/(expense)		
Origination and reversal of temporary differences	7,616	(233,299)
Total income tax expense	**(12,004)**	**(284,209)**

Reconciliation of effective tax rate:

	2023		**2022**	
	’000 AMD	**%**	**’000 AMD**	**%**
(Loss)/profit before tax	34,794	100%	2,399,349	100%
Tax at applicable tax rate	(6,263)	(18%)	(431,883)	(18%)
Under provided in prior years	(19,620)	(56%)	(50,910)	(2%)
Non-taxable income	13,879	40%	198,584	8%
	(12,004)	**(35%)**	**(284,209)**	**(12%)**

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
’000 AMD	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Property and equipment	-	-	(131,365)	(114,829)	(131,365)	(114,829)
Investment property	-	-	(1,422,350)	(987,571)	(1,422,350)	(987,571)
Inventories	-	156,963	(72,609)	-	(72,609)	156,963
Contract liabilities	561,878	162,312	-	-	561,878	162,312
Trade payables	-	-	(120,597)	(211,161)	(120,597)	(211,161)
Tax loss carry-forwards	193,783	13,686	-	-	193,783	13,686
Net tax assets/(liabilities)	**755,661**	**332,961**	**(1,746,921)**	**(1,313,561)**	**(991,260)**	**(980,600)**

(c) Movement in deferred tax balances

	1 January 2023	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**31 December 2023**
Property and equipment	(114,829)	1,741	(18,276)	(131,364)
Investment property	(987,571)	(434,779)	-	(1,422,350)
Inventories	156,963	(229,573)	-	(72,610)
Contract liabilities	162,312	399,566	-	561,878
Trade payables	(211,161)	90,564	-	(120,597)
Tax loss carry-forwards	13,686	180,097	-	193,783
	(980,600)	**7,616**	**(18,276)**	**(991,260)**

’000 AMD	**1 January 2022**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**31 December 2022**
Property and equipment	(90,117)	1,452	(26,164)	(114,829)
Investment property	(666,401)	(321,170)	-	(987,571)
Inventories	27,285	129,678	-	156,963
Contract liabilities	8,096	154,216	-	162,312
Trade payables	-	(211,161)	-	(211,161)
Tax loss carry-forwards	-	13,686	-	13,686
	(721,137)	**(233,299)**	**(26,164)**	**(980,600)**

10. Property and equipment

'000 AMD	Building	Vehicles	Office and computer equipment	Total
Cost/Revalued amount				
Balance at 1 January 2022	732,885	88,362	125,286	946,533
Additions	-	227	8,198	8,425
Revaluation	145,357	-	-	145,357
Disposals	-	(1,132)	-	(1,132)
Elimination of accumulated depreciation	(8,054)	-	-	(8,054)
Balance at 31 December 2022	**870,188**	**87,457**	**133,484**	**1,091,129**
Balance at 1 January 2023	870,188	87,457	133,484	1,091,129
Additions	-	119,943	15,059	135,002
Revaluation	101,535	-	-	101,535
Disposals	-	-	(881)	(881)
Elimination of accumulated depreciation	(9,669)	-	-	(9,669)
Balance at 31 December 2023	**962,054**	**207,400**	**147,662**	**1,317,116**
Depreciation				
Balance at 1 January 2022	-	(83,075)	(36,438)	(119,513)
Depreciation for the year	(8,054)	(1,811)	(20,580)	(30,445)
Disposals	-	1,132	-	1,132
Elimination of accumulated depreciation	8,054	-	-	8,054
Balance at 31 December 2022	**-**	**(83,754)**	**(57,018)**	**(140,772)**
Balance at 1 January 2023	-	(83,754)	(57,018)	(140,772)
Depreciation for the year	(9,669)	(4,051)	(24,676)	(38,396)
Disposals	-	-	295	295
Elimination of accumulated depreciation	9,669	-		9,669
Balance at 31 December 2023	**-**	**(87,805)**	**(81,399)**	**(169,204)**
Carrying amounts				
At 1 January 2022	**732,885**	**5,287**	**88,848**	**827,020**
At 31 December 2022	**870,188**	**3,703**	**76,466**	**950,357**
At 31 December 2023	**962,054**	**119,595**	**66,263**	**1,147,912**

Depreciation expense of AMD 38,396 thousand (2022: AMD 30,445 thousand) has been charged to administrative expenses.

(a) Revaluation of building

Management contracted Finlaw LLC (2022: Cost Consult LLC) to independently appraise building as at 31 December 2023 and as at 31 December 2022.

The fair value of building was determined to be AMD 962,054 thousand (2022: AMD 870,188 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 83,259 thousand is recognised in other comprehensive income for the year ended 31 December 2023 (2022: AMD 119,193 thousand).

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:

	2023	**2022**
Operating expenses	5%	14%
Occupancy rate	92%	95%
Capitalization rate	2.4%	5.5%
Adjustments applied to comparable properties for location, condition, size, etc.	up to 35%	up to 30%

(b) Security

At 31 December 2023 there is no property and equipment item pledged as collateral (31 December 2022: no property pledged as collateral).

11. Investment property

(a) Reconciliation of carrying amount

’000 AMD	**2023**	**2022**
Balance at 1 January	9,756,541	5,797,086
Additions	456,738	1,701,687
Change in fair value	2,257,326	1,671,341
Reclassification from inventory property	-	586,427
Balance at 31 December	**12,470,605**	**9,756,541**

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 Finlaw LLC (2022: Cost Consult LLC) to independently appraise investment property as at 31 December 2023 and as at 31 December 2022.

The fair value measurement for investment property of AMD 12,470,605 thousand (2022: AMD 9,756,541 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:

	2023	**2022**
Operating expenses	5%	14%
Occupancy rate	92%	95%
Capitalization rate	2.4%- 7.9%	5.5%
Adjustments applied to comparable properties for location, condition, size, etc.	up to 30%	up to 30%

(c) Security

At 31 December 2023 investment property with a carrying amount of AMD 5,152,417 thousand (31 December 2022: AMD 3,712,000 thousand) are pledged as collateral for secured bank loans 3, 4, 5 and secured credit line 3 (31 December 2022: secured bank loans 3, 4, 5 and secured credit line 3 (see Note 17(a)).

12. Inventories

’000 AMD	31 December 2023	31 December 2022
Inventory property under development	36,976,265	24,242,951
Completed inventory property	164,083	345,049
Prepayments given	2,720,633	1,291,947
	39,860,981	**25,879,947**

(a) Inventory property under development

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 2023 ’000 AMD	31 December 2022 ’000 AMD
107 Teryan Street	Kentron administrative district, Yerevan	Residential multi-unit complex (part of land)	29,471,358	18,698,420
23 Orbeli Street	Kentron administrative district, Yerevan	Residential multi-unit complex (part of land)	7,504,907	5,544,531

During 2023 borrowing costs of AMD 1,257,814 thousand (2022: AMD 631,787 thousand) (see Note 17(b)) and financing component of AMD 1,275,402 thousand (see Note 18(b)) (2022: AMD 516,198 thousand) 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% (2022: 10%) and general loan capitalisaton rate used was 11.1% (2022: 10.8%). The financing component capitalization rate 12.2% (2022: 11.9%).

As at 31 December 2023 inventory property under development with amount of AMD 29,471,358 thousand (31 December 2022: AMD 18,698,420 thousand) is pledged as collateral for secured bank loans 1, 2 and secured credit lines 1, 2 (2022: secured bank loans 1 and secured credit lines 2).

As at 31 December 2023 inventory property under development with amount of AMD 7,504,907 thousand (31 December 2022: AMD 5,544,531 thousand) is pledged for fulfilment of the deferred payments (see Note 19) and total predetermined investments (see Note 22(a)) under the purchase agreement concluded with the Government of Republic of Armenia based on decision N 871-Ա dated 09.06.2022.

(b) Completed inventory property

At 31 December 2023 no completed inventory property is pledged as collateral for secured bank loans (see Note 17(a)) (2022: nil).

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 2023 '000 AMD	31 December 2022 '000 AMD
Davtashen I	Davtashen administrative district, Yerevan	Residential apartments and parking spaces	127,822	129,115
Davtashen II	Davtashen administrative district, Yerevan	Residential multi-unit complex apartments and parking spaces	36,261	215,934

13. Trade and other receivables

'000 AMD	31 December 2023	31 December 2022
Prepayments given	318,641	91,021
Trade receivables	155,075	82,895
Tax receivables other than on income tax	268,750	175,420
Other receivables	587	46
	743,053	**349,382**

The allowance for impairment over trade receivables is considered immaterial.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 20.

14. Cash and cash equivalents

’000 AMD	**31 December 2023**	**31 December 2022**
Bank balances		
– rated BB-	362,292	1,360,749
– rated B+	323,071	77,928
– not rated	327,173	177,899
Bank balances (current accounts)	**1,012,536**	**1,616,576**
Petty cash	62,295	21,089
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**1,074,831**	**1,637,665**
Balances held on restricted accounts		
– rated BB-	1,061,738	611,620
Balances held on restricted accounts in the consolidated statement of financial position	**1,061,738**	**611,620**

The Group’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 20.

Balances held on restricted accounts represent developer’s special accounts with conditions that restrict the use by the Group under the special terms.

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 Group. From these special accounts those accounts that are used when the counterparty bank provides mortgage loans to buyers are restricted for use by the Group. Withdrawals from these accounts are regulated by the RA Civil Code. 20% of funds received can be released only after the ownership right is transferred to the buyer and thus considered as restricted.

The turnover of the current accounts with the balance of AMD 360,993 thousand as at 31 December 2023 (2022: AMD 1,116,665 thousand) is pledged under secured bank loan 1, 2 and secured credit line 1, 2 (2022: secured bank loan 1 and secured credit line 2). There are no restrictions on these accounts as at 31 December 2022 and 31 December 2023.

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

‘000 AMD	**Note**	**2023**	**2022**
Balance at 1 January		611,620	-
Advances received for the pre-completion sales of inventory property under development (receipts to restricted accounts)	18(b)	2,340,967	2,974,227
Balances held on restricted accounts used in operations (transfers from developers special accounts to current bank accounts)		(1,880,706)	(2,362,607)
Interest income on restricted accounts		63,037	-
Transferred to current account for repaid mortgage loans		(73,180)	-
Balance at 31 December		**1,061,738**	**611,620**

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 Group's distributable reserves are limited to the balance of retained earnings as recorded in the Group's statutory consolidated financial statements prepared in accordance with IFRS.

(b) Dividends

No dividends were declared and paid during 2023 (31 December 2022: AMD 583,685 thousand).

(c) Reserves

The reserves relates to the revaluation of property and equipment.

16. Capital management

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

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

'000 AMD	**31 December 2023**	**31 December 2022**
Total liabilities	50,262,323	33,168,959
Less: cash and cash equivalents	1,074,831	1,637,665
Less: balances held on restricted accounts	1,061,738	611,620
Net debt	**48,125,754**	**30,919,674**
Total equity	6,400,444	6,294,395
Net debt to equity ratio at 31 December	**7.5**	**4.9**

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

The Group is not subject to externally imposed capital requirements.

17. Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 20.

'000 AMD	**31 December 2023**	**31 December 2022**
Non-current liabilities		
Secured bank loans	10,667,559	9,407,069
Unsecured borrowings from third party	376,455	602,142
	11,044,014	**10,009,211**
Current liabilities		
Secured bank loans	5,530,582	490,713
Unsecured borrowings from related parties	250,000	-
Unsecured borrowings from third party	244,776	1,983
Unsecured loan from business partner of participant	-	803,892
	6,025,358	**1,296,588**

(a) Terms and debt repayment schedule

				31 December 2023		**31 December 2022**	
'000 AMD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured bank loan 1	USD	8.0%*	2025	5,693,144	5,693,144	5,532,171	5,532,171
Secured bank loan 2	USD	9.5%	2025	202,462	202,462	-	-
Secured bank loan 3	USD	8.0%	2024	203,160	203,160	395,057	395,057
Secured bank loan 4	AMD	11.0%	2024	77,083	77,083	169,583	169,583
Secured bank loan 5	AMD	11.0%	2024	6,074	6,074	12,698	12,698
Secured credit line 1	USD	9.5%	2026	5,403,088	5,403,088	-	-
Secured credit line 2	USD	9.0%	2025	4,288,500	4,288,500	3,472,641	3,472,641
Secured credit line 3	USD	7.5%	2025	324,630	324,630	315,632	315,632
Unsecured borrowings from business partner of participant	AMD	0%	On demand	-	-	430,000	430,000
Unsecured borrowings from business partner of participant	USD	0%	On demand	-	-	373,892	373,892
Unsecured borrowing from related party	AMD	0%	On demand	250,000	250,000	-	-
Unsecured borrowing from third party 1	USD	11.0%	2025	377,704	377,704	367,343	367,343
Unsecured borrowing from third party 2	USD	6.0%	2024	243,527	243,527	236,782	236,782
				17,069,372	**17,069,372**	**11,305,799**	**11,305,799**

* Other than nominal interest rate annual service fee of 2% is calculated on residual principal balance and is payable on a monthly basis.

Bank loans are secured by the following:

- No bank loan is secured by completed inventory property as at 31 December 2023 (31 December 2022: none), see Note 12(b).
- Secured bank loans 1, 2 and secured credit lines 1, 2 are secured by inventory property under construction with carrying amount of AMD 29,471,358 thousand (31 December 2022: AMD 18,698,420 thousand), see Note 12(a).
- Secured bank loans 1, 2 and secured credit lines 1, 2 are secured by turnover of the current accounts with the balance of AMD 360,993 thousand as at 31 December 2023 (2022: AMD 1,116,665 thousand), see Note 14.
- Secured bank loan 3 is secured by investment property with carrying amount of AMD 3,102,917 thousand (31 December 2022: AMD 2,332,500 thousand).
- Secured bank loans 4 and 5 are secured by investment property with carrying amount of AMD 1,113,667 thousand (31 December 2022: AMD 672,500 thousand).
- Secured credit line 3 is secured by investment property with carrying amount of AMD 2,049,500 thousand (31 December 2022: AMD 1,379,500 thousand).

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

’000 AMD	**Note**	**Liabilities** **Other loans and borrowings**
Balance at 1 January 2023		**11,305,799**
Changes from financing cash flows		
Proceeds from loans and borrowings		7,174,779
Repayment of loans and borrowings		(1,293,109)
Total changes from financing cash flows		**5,881,670**
The effect of changes in foreign exchange rates		**(161,682)**
Other changes		
Liability-related		
Capitalised borrowing costs	12(a)	1,257,814
Interest paid		(1,214,229)
Total liability-related other changes		**43,585**
Balance at 31 December 2023		**17,069,372**

’000 AMD		**Liabilities**
	Note	**Other loans and borrowings**
Balance at 1 January 2022		**9,942,280**
Changes from financing cash flows		
Proceeds from loans and borrowings		4,228,753
Repayment of loans and borrowings		(1,226,836)
Total changes from financing cash flows		**3,001,917**
The effect of changes in foreign exchange rates		**(1,639,220)**
Other changes		
Liability-related		
Capitalised borrowing costs	12(a)	631,787
Interest expense	8	150,190
Interest paid		(781,155)
Total liability-related other changes		**822**
Balance at 31 December 2022		**11,305,799**

18. Contract liabilities

’000 AMD	**31 December 2023**	**31 December 2022**
Current liabilities		
Advances received for completed inventory property	22,470,066	13,999,219
Capitalized interest due to time value of money component	3,140,616	920,807
	25,610,682	**14,920,026**

The contract liabilities primarily relate to the advance consideration received from customers based for the pre-completion sales of the inventory property under development based on the contracts between the Group 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 Group, 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 Group 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 Group and its customer at contract inception.

The effect of a significant financing component was estimated using the interest rate of 10% to 13% (2022: 10% to 13%), depending on the date of inception of the contract and expected period between receipt of customer payment and transfer of ownership rights.

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

(b) Reconciliation of carrying amount

'000 AMD	Note	2023	2022
Balance at 1 January		14,920,026	2,395,030
Set-off with trade receivables		(80,004)	(376,142)
Advances returned to customers		(10,432)	(1,054,004)
Advances received for the pre-completion sales of inventory property under development (receipts to restricted accounts)	14(a)	2,340,967	2,974,227
Advances received for the pre-completion sales of inventory property under development (receipts to special bank accounts that are not restricted)		5,124,965	9,860,423
Advances received for the pre-completion sales of inventory properties under development (receipts to current bank accounts)		1,007,340	-
Advances received for the completed inventory property (receipts to current bank accounts)		88,011	263,735
Interest expense on contract liabilities recognised in profit or loss	8	944,407	340,559
Financing component capitalised on inventory property under development	12(a)	1,275,402	516,198
Balance at 31 December		**25,610,682**	**14,920,026**

19. Trade and other payables

'000 AMD	31 December 2023	31 December 2022
Payables for property purchase	3,531,423	4,185,687
Trade payables	2,905,214	1,765,840
Tax payables	11,383	7,985
Other payables	17,271	3,022
	6,465,291	**5,962,534**
Current	4,256,363	3,020,457
Non-current	2,208,928	2,942,077

Payables for property purchase represent discounted deferred payments payable for purchase of inventory property (Note 12(a)). Under the purchase agreement payments are payable annually by August 2026. The Group applied discounting rate of 12.9%. Interest expense of AMD 503,134 thousand is calculated on payable balance for 2023 (Note 8).

20. 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 Group 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 Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group'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 Group has no significant credit risk from receivables from customers.

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

The Group held balances (current accounts) of AMD 1,012,536 thousand and AMD 1,061,738 thousand on restricted accounts (31 December 2022: balances (current accounts) of AMD 1,637,809 thousand and AMD 611,620 thousand on restricted accounts), which represents its maximum credit exposure on these assets. All the balances are held with reputable Armenian banks and the Group 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.

Financial guarantee contracts

The Group does not consider that financial guarantee contracts entered into by the Group to guarantee the indebtedness of other parties are insurance arrangements, and accounts for them under IFRS 9. The Group's policy is to provide financial guarantees only for related parties' liabilities. At 31 December 2023 and 31 December 2022, the Group has issued guarantees to certain banks in respect of loans granted to its participant and entities under control of participant (see Note 22(b)).

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group 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 2023

		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 credit lines	10,016,218	11,384,446	-	528,533	1,986,559	7,039,824	1,829,530
Secured bank loans	6,181,923	6,781,115	-	620,058	2,958,672	3,202,385	-
Unsecured borrowings from third party	621,231	716,129	-	10,478	294,228	411,423	-
Unsecured loan from related party	250,000	250,000	-	-	250,000	-	-
Trade payables	6,436,684	7,165,214	686,917	2,218,297	1,420,000	1,420,000	1,420,000
Total	**23,506,056**	**26,296,904**	**686,917**	**3,377,366**	**6,909,459**	**12,073,632**	**3,249,530**
Financial guarantess provided (off balance)	121,437	121,437	-	-	-	121,437	-
	23,627,493	**26,418,341**	**686,917**	**3,377,366**	**6,609,459**	**12,195,069**	**3,249,530**

31 December 2022

		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 credit lines	3,788,273	4,372,752	-	35,914	416,553	2,032,131	1,888,154
Secured bank loans	6,109,509	7,228,747	-	141,688	723,673	3,463,913	2,899,473
Unsecured loan from business partner of participant	604,125	756,252	-	10,187	49,786	296,260	400,019
Unsecured borrowings from third party	803,892	803,892	803,892	-	-	-	-
Trade payables	5,951,527	7,188,884	-	1,765,840	1,355,761	1,355,761	2,711,522
Total	**17,257,326**	**20,350,527**	**824,913**	**1,953,629**	**2,545,773**	**7,148,065**	**7,899,168**
Financial guarantess provided (off balance)	118,071	118,071	-	-	118,071	-	-
	17,375,397	**20,468,620**	**824,913**	**1,953,629**	**2,663,844**	**7,148,065**	**7,899,168**

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 Group'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 Group does not apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

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

Exposure to currency risk

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

'000 AMD	**USD-denominated 31 December 2023**	**USD-denominated 31 December 2022**
Cash and cash equivalents	5	415,582
Loans and borrowings	(16,736,215)	(10,693,518)
Net exposure	**(16,736,210)**	**(10,277,936)**

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

in AMD	**Average rate**		**Reporting date spot rate**	
	2023	**2022**	**2023**	**2022**
USD	392.54	434.86	404.79	393.57

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 Group 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 2023		
AMD 10% movement against USD	1,673,621	(1,673,621)
31 December 2022		
AMD 10% movement against USD	1,027,794	(1,027,794)

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 Group'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 Group over the expected period until maturity.

Exposure to interest rate risk

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

'000 AMD	**Carrying amount**	
	2023	**2022**
Fixed rate instruments		
Financial assets	1,061,738	611,620
Financial liabilities	17,069,372	11,305,799
	18,131,110	**11,917,419**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial instruments as fair value through profit or loss or 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.

21. Leases

(a) Leases as lessee

The Group was not involved in lease contracts as a lessee during 2023.

(b) Leases as lessor

The Group leases out its investment property (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 Group during 2023 was AMD 265,148 thousand (in 2022: AMD 179,585 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	
2023 – Operating leases under IFRS 16	
Less than one year	308,171
One to two years	272,655
Two to three years	226,154
Three to four years	190,806
Four to five years	110,781
More than five years	1,868
Total	**1,110,435**
2022 – Operating leases under IFRS 16	
Less than one year	183,853
One to two years	164,590
Two to three years	131,707
Three to four years	85,205
Four to five years	37,380
More than five years	-
Total	**602,735**

22. Commitments

Capital expenditure related to inventory property under development

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

For other works there are commitments as specified in the contracts between parties. As at 31 December 2023 the Company has commitment of AMD 3,243,998 thousand (as at 31 December 2022: AMD 2,177,352) with regards to 107 Teryan Street.

For 23 Orbeli Street the Group has commitment towards the government to make investments of AMD 71,000,000 thousand within four years from the purchase date as specified in the purchase agreement (Note 12(a)).

23. 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 Group 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 Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group'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 Group.

(c) Taxation contingencies

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

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

24. 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	**2023**	**2022**
Salaries and bonuses	**59,500**	**44,750**

(c) Other related party transactions

'000 AMD	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2023	2022	2023	2022
Sale of apartment and parkings				
Investment property rentals:				
Entities under control of participants	161,958	126,485	200,352	42,099
Purchase of investment property				
Other related parties	-	725,000	-	-
Purchases for inventory property				
Entities under control of participants	176,750	1,800	91,750	-
Advances received for the pre-completion sales of inventory property under development:				
Other related parties	134,192	222,611	373,857	222,611
Donations acted in the capacity of participants:				
Entities under control of participants	15,000	20,000	-	-
Loans and borrowings received:				
Participant	250,000	-	250,000	-
Other related parties	-	-	-	803,892
Loans and borrowings given:				
Entities under control of participants	20,000	125,000	145,000	125,000
Financial guarantees provided:				
Participant	-	-	121,437	118,071

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 22(b).

During 2023 no interest expense (2022: AMD 67,978 thousand) was accrued on loans and borrowings received from related parties.

25. Basis of measurement

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

26. Material accounting policies

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

(a) Revenue

Information about the Group'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 consolidated statement of profit or loss and other comprehensive income and included in 'finance costs'.

(c) Finance income and finance costs

The Group'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) 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 Group.

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 Group 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.

(e) 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.

(f) 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 Group.

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.

(g) 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 property below market value where the counterparty is related or owner related, is recognized through equity accounts.

(h) 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 Group 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 Group 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 Group 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 Group 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 – 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) Derecognition

Financial assets

The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated 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 Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group 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.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group 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.

(i) Charter capital

The shares of the Group 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 consolidated financial statements because the management concluded that the Group's puttable financial instruments satisfy all the conditions set in IAS 32 for equity presentation of puttable instruments.

(j) Leases

At inception of a contract, the group 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 Group uses the definition of a lease in IFRS 16.

(i) As a lessor

When the Group 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 Group 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 Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

27. New standards and interpretations not yet adopted

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

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

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

28. Subsequent events

Within the scope of alienation of real estate located on Saryan 22 based on the RA Government decisions N1529-Ա, N1972-Ա and N467-Ա in April 2024 the Company together with Haypost CJSC and the Republic of Armenia founded World Trade Center Yerevan CJSC for the purpose of implementing urban development project with 13,200.54 square meters. Total share capital of World Trade Center Yerevan CJSC will comprise AMD 21,898,520 thousand, from which share of the Company will be 50%. As at date of these consolidated financial statements the share capital of newly founded company has not been paid yet.