

ASCE Group OJSC

**Consolidated Financial Statements
for 2022**

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Independent Auditors' Report

To the Board of Directors of ASCE Group OJSC

Opinion

We have audited the consolidated financial statements of ASCE Group OJSC (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, 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 significant 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 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 qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition	
Please refer to the Note 5 and Note 25(a) in the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>Revenue from sales of goods and services for the year ended 31 December 2022 amount to AMD 34,288,753 thousand. Recognition of revenue is a key audit matter due to:</p> <ul style="list-style-type: none"> – the high volume of transactions; and – the judgement in respect of the moment of transfer of control over the goods to customers. 	<p>Our audit procedures to assess the recognition of revenue included the following:</p> <ul style="list-style-type: none"> – Evaluating the design and implementation of key internal controls over revenue recognition. – Analyzing the policy of recognizing revenue from sales of products of the Group to determine whether it appropriately reflects the requirements of IFRS 15 "<i>Revenue from contracts with customers</i>" on recognition of revenue from satisfying performance obligation in the proper period. – Inspecting sale agreements, on a sample basis, to understand the terms of delivery and assess whether the revenue was recognized in accordance with the requirements of IFRS 15 on recognition of revenue from satisfying performance obligation in the proper period. – Comparing, on a sample basis, specific revenue transactions recorded during the year with underlying primary documents. – Obtaining confirmations, on a sample basis, from customers of the Group, of turnovers during the year and balances as at 31 December 2022, and, for not obtained confirmations, performing alternative procedures by comparing details of the transactions with underlying primary documents. – Comparing, on a sample basis, specific revenue transactions recorded near the year-end with underlying primary documents to determine whether the revenue was recognized properly in the appropriate period. – We also considered the appropriateness of the Group's disclosures in the Notes 5 and 25(a).

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 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Davit Shamshtyan
Engagement Partner



Irina Gevorgyan
Director of KPMG Armenia LLC

KPMG Armenia LLC
29 April 2023



Consolidated Statement of Financial Position as at 31 December 2022

'000 AMD	Note	31 December 2022	31 December 2021
Assets			
Property, plant and equipment	11	33,682,440	29,393,981
Investment property	12	1,094,811	1,117,043
Prepayments for non-current assets		2,045,761	112,868
Other assets		5,610	6,282
Non-current assets		36,828,622	30,630,174
Inventories	13	9,531,117	7,042,321
Trade and other receivables	14	9,411,754	3,439,089
Cash and cash equivalents	15	479,600	1,143,052
Current assets		19,422,471	11,624,462
Total assets		56,251,093	42,254,636
Equity	16		
Share capital		9,438,576	9,438,576
Retained earnings		13,928,124	13,010,280
Total equity		23,366,700	22,448,856
Liabilities			
Loans and borrowings	18	5,131,726	-
Deferred tax liabilities	10	3,822,660	3,446,647
Bonds issued	20	20,903,550	13,471,555
Non-current liabilities		29,857,936	16,918,202
Loans and borrowings	18	1,330,096	105,500
Trade and other payables	19	1,244,798	807,460
Bonds issued	20	124,306	91,907
Current tax liability		327,257	1,882,711
Current liabilities		3,026,457	2,887,578
Total liabilities		32,884,393	19,805,780
Total equity and liabilities		56,251,093	42,254,636

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

'000 AMD	Note	2022	2021
Revenue	5	34,288,753	33,560,326
Cost of sales	6	(21,887,057)	(16,774,399)
Gross profit		12,401,696	16,785,927
Other income		82,796	24,171
Distribution expenses		(156,078)	(174,718)
Administrative expenses	7	(599,785)	(447,749)
Other expenses	8	(103,438)	(226,811)
Results from operating activities		11,625,191	15,960,820
Finance income	9	907,190	973,290
Finance costs	9	(2,292,200)	(1,780,021)
Net finance costs		(1,385,010)	(806,731)
Profit before income tax		10,240,181	15,154,089
Income tax expense	10	(1,322,337)	(2,648,172)
Profit and total comprehensive income for the year		8,917,844	12,505,917
Earnings per share			
Basic earnings per share (AMD)	6 (c)	142	371

These consolidated financial statements were approved by management on 29 April 2023 and were signed on its behalf by:


Hrachya Muradyan
Director




Karine Mamikonyan
Chief Financial Officer

Consolidated Statement of Changes in Equity for 2022

'000 AMD	Share capital	Retained earnings	Total
Balance at 1 January 2021	1,179,822	8,763,117	9,942,939
Total comprehensive income			
Profit for the year	-	12,505,917	12,505,917
Total comprehensive income for the year	-	12,505,917	12,505,917
Transactions with owners of the Group			
Transfer of retained earnings to share capital (Note 16)	8,258,754	(8,258,754)	-
Total transactions with owners of the Group	8,258,754	(8,258,754)	-
Balance at 31 December 2021	9,438,576	13,010,280	22,448,856
Balance at 1 January 2022	9,438,576	13,010,280	22,448,856
Total comprehensive income			
Profit for the year		8,917,844	8,917,844
Dividends paid		(8,000,000)	(8,000,000)
Total comprehensive income for the year	-	8,917,844	8,917,844
Balance at 31 December 2022	9,438,576	13,928,124	23,366,700

Consolidated Statement of Cash Flows for 2022

'000 AMD	2022	2021
Cash flows from operating activities		
Cash receipts from customers	35,960,657	37,416,014
Cash paid to employees	(1,560,535)	(1,317,683)
Cash paid to suppliers	(24,900,791)	(18,541,442)
Taxes other than on income	(4,307,355)	(4,961,190)
Other payments	(183,010)	(58,020)
Cash flows from operations before income taxes and interest paid	5,008,966	12,537,679
Interest paid	(2,315,241)	(4,928,923)
Income tax paid	(2,474,368)	(716,244)
Net cash from operating activities	219,357	6,892,512
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,890,242)	(2,415,025)
Acquisition of investment property	-	(1,117,043)
Proceeds from sale of non-current assets	19,189	44,939
Borrowings provided	(4,270,725)	-
Proceeds from repayment of borrowings provided	4,270,725	-
Net cash used in investing activities	(7,871,053)	(3,487,129)
Cash flows from financing activities		
Proceeds from loans and borrowings	9,448,681	540,109
Repayment of loans and borrowings	(2,758,461)	(16,033,342)
Purchase of bonds issued	-	(8,738,383)
Proceeds from sale of bonds issued	8,467,525	-
Proceeds from bonds issued	-	22,779,150
Dividends paid	(8,000,000)	-
Net cash from/(used in) financing activities	7,157,745	(1,452,466)
Net (decrease)/increase in cash and cash equivalents	(493,951)	1,952,917
Cash and cash equivalents at 1 January	1,143,052	73,216
Effect of exchange rate fluctuations on cash and cash equivalents	(169,501)	(883,081)
Cash and cash equivalents at 31 December	479,600	1,143,052

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

Notes to the Consolidated Financial Statements for 2022

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1. Reporting entity

(a) Organisation and operations

These consolidated financial statements have been prepared for the year ended 31 December 2022 for ASCE Group OJSC (the “Company”) and its subsidiary (together referred to as the “Group”).

ASCE Group OJSC (the “Company”) is an open joint stock company incorporated in the Republic of Armenia. The Company was established as a result of privatization of Haydzul CJSC (previously “Autodzul” state enterprise) as an open joint stock company on 4 September 1998.

The Company’s registered office is 2 Yerevanyan Street, Charentsavan, Kotayk region, Republic of Armenia.

As at 31 December 2022, and 31 December 2021, the following shareholders directly owned more than 3% of the total outstanding shares of the Company:

% of ownership interest as at 31 December	2022	2021
Moraco Holding Limited	49.35%	49.35%
Mr. Gevorg Harutyunyan	16.53%	16.53%
Mr. Tigran Harutyunyan	16.53%	16.53%
Mr. Vahan Harutyunyan	16.29%	16.29%

Other shareholders individually owned less than 3% of the outstanding shares.

As at 31 December 2022 and 2021 Moraco Holding Limited is controlled by Mr. Mikhail Harutyunyan. The Group has no party with ultimate control as at 31 December 2022.

Related party transactions are disclosed in Note 23.

The Groups’s principal activity is production and distribution of steel rebars and balls at plant located in Charentsavan. The Group’s products are sold in the Republic of Armenia and abroad.

Consolidated subsidiary is presented in the table below:

Subsidiary	Country of incorporation	2022 Ownership/voting	2021 Ownership/voting
ASCE Trade LLC	Republic of Armenia	100%	100%

Principal activities of the subsidiary is trading with ASCE Group OJSC issued debt securities.

(b) 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 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 are prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS 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, except when otherwise indicated.

4. Use of estimates and judgements

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 recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in Note 25(g)(iii) – useful lives of property, plant and equipment.

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 Note 21 – financial instruments.

5. Revenue

(a) Revenue streams

The Group generates revenue primarily from the sale of steel rebars and balls.

'000 AMD	2022	2021
Sale of goods	34,238,588	33,512,709
Revenue from services provided	50,165	47,617
Total revenue from contracts with customers	34,288,753	33,560,326

(b) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and timing of revenue recognition for the year ended 31 December 2022.

'000 AMD	Mining companies	Construction companies	Companies from other industries	Total
Primary geographical markets				
Republic of Armenia	4,005,530	26,245,833	223,182	30,474,545
Export to Georgia	-	-	3,814,208	3,814,208
	4,005,530	26,245,833	4,037,390	34,288,753
Major products				
Steel rebars	-	26,226,022	4,209	26,230,231
Steel balls	4,005,530	-	183,126	4,188,656
Steel billets	-	-	3,819,701	3,819,701
Transportation services	-	19,811	30,354	50,165
	4,005,530	26,245,833	4,037,390	34,288,753
Timing of revenue recognition				
Products transferred at a point in time	4,005,530	26,226,022	4,007,036	34,238,588
Services transferred over time	-	19,811	30,354	50,165
Revenue from contracts with customers	4,005,530	26,245,833	4,037,390	34,288,753

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and timing of revenue recognition for the year ended 31 December 2021.

'000 AMD	Mining companies	Construction companies	Companies from other industries	Total
Primary geographical markets				
Republic of Armenia	5,635,642	23,224,350	316,002	29,175,994
Export to Georgia	-	-	4,384,332	4,384,332
	5,635,642	23,224,350	4,700,334	33,560,326
Major products				
Steel rebars	-	23,183,088	5,839	23,188,927
Steel balls	5,635,642	-	252,702	5,888,344
Steel billets	-	-	4,436,573	4,436,573
Transportation services	-	41,262	5,220	46,482
	5,635,642	23,224,350	4,700,334	33,560,326
Timing of revenue recognition				
Products transferred at a point in time	5,635,642	23,183,088	4,695,114	33,513,844
Services transferred over time	-	41,262	5,220	46,482
Revenue from contracts with customers	5,635,642	23,224,350	4,700,334	33,560,326

(c) Contract balances

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

'000 AMD	Note	31 December 2022	31 December 2021
Receivables, which are included in 'trade and other receivables'	14	7,382,392	2,914,033
Contract liabilities	19	-	12,656

The contract liabilities relate to the advance consideration received from customers.

The amount of AMD 12,656 thousand recognised in contract liabilities at 31 December 2021 has been recognised as revenue for the period ended 31 December 2022.

(d) 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 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 policies.

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale of steel rebars, balls and billets	Customers obtain control of the goods when the goods are delivered to the specified point or dispatched from the Group's warehouse according to sales contracts. Invoices are generated at that point in time. Invoices are usually payable within two months period. No discounts, loyalty points or returns are offered for the goods.	Revenue is recognised when the goods are delivered at or dispatched from the specified place by the contract.
Rendering of transportation services	The Group also performs transportation services for goods sold to the customers. Invoices are usually payable within two months period.	Revenue is recognised over the time as the service is performed.

6. Cost of sales

'000 AMD	2022	2021
Materials	14,116,468	9,786,578
Utilities	4,254,349	3,687,864
Wages and salaries	1,842,920	1,740,818
Depreciation	1,592,945	1,465,055
Other	80,375	94,084
	21,887,057	16,774,399

Expenses by nature

'000 AMD	2022	2021
Changes in inventories of finished goods and work in progress	(825,854)	1,492,378
Materials	14,650,837	8,923,607
Utilities	4,457,484	3,397,837
Wages and salaries	2,146,063	1,810,571
Depreciation	1,689,821	1,350,856
Insurance and bank charges	164,235	69,154
Professional services	85,650	73,036
Taxes, other than on income	19,808	15,479
Security	6,480	6,480
Write-off of prepayments given	3,764	3,717
Other expenses	191,992	305,580
	22,590,280	17,448,695

7. Administrative expenses

'000 AMD	2022	2021
Wages and salaries*	233,380	223,520
Insurance and bank charges	164,235	69,154
Professional services	85,650	73,036
Office and utility expenses	42,089	35,166
Depreciation	36,576	14,796
Taxes, other than on income	19,808	15,479
Security	6,480	6,480
Other	11,567	10,118
	599,785	447,749

* Total employee benefits for 2022 amounted to AMD 2,146,063 thousand (2021: AMD 1,810,571 thousand).

8. Other expenses

'000 AMD	2022	2021
Vacation reserve	36,036	28,266
Impairment losses on trade and other receivables	34,818	8,145
Donations	12,120	108,453
Write-off of goods	5,532	71,624
Write-off of prepayments given	3,764	3,717
Fines and penalties	1,666	4,158
Depreciation from idle time	-	191
Other	9,502	2,257
	103,438	226,811

9. Net finance costs

'000 AMD	2022	2021
Interest income under the effective interest method on cash and cash equivalents	11,314	21,599
Net foreign exchange gain	739,379	951,691
Finance income	750,693	973,290
Financial liabilities measured at amortized cost – interest expense	(2,135,703)	(1,780,021)
Finance costs	(2,135,703)	(1,780,021)
Net finance costs recognized in profit or loss	(1,385,010)	(806,731)

Interest expense from financial liabilities measured at amortized cost is presented net of subsidies received from the RA Government.

10. Income taxes

(a) Amounts recognised in profit or loss

The Group's applicable tax rate is the income tax rate of 18% (2021: 18%) for Armenian companies.

'000 AMD	2022	2021
Current tax expense		
Current year	946,324	2,216,956
Underprovided in prior years	-	57,814
	946,324	2,274,770
Deferred tax expense		
Origination and reversal of temporary differences	376,013	373,402
Total tax expense	1,322,337	2,648,172

Reconciliation of effective tax rate:

	2022		2021	
	'000 AMD	%	'000 AMD	%
Profit before tax	10,240,181	100%	15,154,089	100%
Income tax at applicable tax rate	1,843,233	18%	2,727,736	18%
Underprovided in prior years	-	0%	57,814	0.4%
Tax relief*	(390,123)	(4)%		
Non taxable income	(130,773)	(1)%	(137,378)	(1)%
	1,322,337	13%	2,648,172	17%

* According to RA Government decision N 498-A dated 15 April 2022, effective from 30 April 2022, the wages and salaries of employees hired in the next five years are deducted from Group's respective year's income tax. The deduction has a maximum cap of 30% of Group's income tax.

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
'000 AMD						
Property, plant and equipment	-	-	3,853,820	3,506,282	3,853,820	3,506,282
Inventories	-	-	55,272	20,738	55,272	20,738
Trade and other receivables	(68,492)	(80,373)	-	-	(68,492)	(80,373)
Trade and other payables	(17,940)	-	-	-	(17,940)	-
Net tax (assets)/liabilities	(86,432)	(80,373)	3,909,092	3,527,020	3,822,660	3,446,647

	Assets		Liabilities		Net	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
'000 AMD						
Property, plant and equipment	-	-	3,506,282	3,092,133	3,506,282	3,092,133
Inventories	-	-	20,738	39,862	20,738	39,862
Trade and other receivables	(80,373)	(52,384)	-	-	(80,373)	(52,384)
Trade and other payables	-	(6,366)	-	-	-	(6,366)
Net tax (assets)/liabilities	(80,373)	(58,750)	3,527,020	3,131,995	3,446,647	3,073,245

(c) Movement in deferred tax balances

All movements in deferred tax balances are recognized in profit or loss.

11. Property, plant and equipment

'000 AMD	Land, buildings and structures	Machinery and equipment	Transport vehicles	Other	Construction in progress	Total
Cost						
Balance at 1 January 2021	10,547,881	20,172,393	127,057	70,910	311,767	31,230,008
Additions	64,772	557,115	1,267,782	72,262	340,226	2,302,157
Transfers	-	331,391	-	(3,342)	(328,049)	-
Disposals	-	(58,922)	(24,926)	(5,810)	-	(89,658)
Balance at 31 December 2021	10,612,653	21,001,977	1,369,913	134,020	323,944	33,442,507
Balance at 1 January 2022	10,612,653	21,001,977	1,369,913	134,020	323,944	33,442,508
Additions	579,250	1,065,160	4,223,553	42,754	37,224	5,947,941
Transfers	-	(97,107)	178,531	135,024	(216,448)	-
Disposals	(1,500)	-	-	-	-	(1,500)
Balance at 31 December 2022	11,190,403	21,970,030	5,771,997	311,798	144,720	39,388,949
Depreciation						
Balance at 1 January 2021	(576,540)	(2,126,143)	(8,925)	(9,981)	-	(2,721,589)
Transfers	-	(21)	-	21	-	-
Depreciation for the year	(290,893)	(1,014,873)	(34,301)	(7,156)	-	(1,347,223)
Disposals	-	19,907	90	289	-	20,286
Balance at 31 December 2021	(867,433)	(3,121,130)	(43,136)	(16,827)	-	(4,048,526)
Balance at 1 January 2022	(867,435)	(3,121,130)	(43,136)	(16,827)	-	(4,048,527)
Transfers	-	3,112	-	(3,112)	-	-
Depreciation for the year	(296,269)	(1,155,359)	(181,000)	(25,354)	-	(1,657,982)
Balance at 31 December 2022	(1,163,704)	(4,273,377)	(224,136)	(45,293)	-	(5,706,509)
Carrying amounts						
At 1 January 2021	9,971,342	18,046,250	118,133	60,928	311,767	28,508,420
At 31 December 2021	9,745,220	17,880,847	1,326,777	117,193	323,944	29,393,981
At 31 December 2022	10,026,700	17,696,653	5,547,862	266,505	144,720	33,682,440

Depreciation expense of AMD 1,644,309 thousand (2021: AMD 1,332,236 thousand) has been charged to cost of sales, AMD 13,673 thousand (2021: AMD 14,796 thousand) to administrative expenses and nil (2021: AMD 191 thousand) to other expenses.

Security

At 31 December 2022 property, plant and equipment of AMD 25,536,307 thousand (31 December 2021: AMD 26,213,660 thousand) are pledged as security to secure bank loan (see Note 18(a)).

12. Investment property

(a) Reconciliation of carrying amount

'000 AMD	2022	2021
Balance at 1 January	1,117,043	-
Acquisitions	-	1,117,043
Depreciation for the year	(22,232)	-
Balance at 31 December	1,094,811	1,117,043

Investment property acquired on 2 December 2021 comprises primarily commercial properties held with the aim of capital appreciation and earnings rentals or both and properties with undetermined future use.

Investment properties are leased to related party for indefinite period.

The fair value of investment property purchased approximates its carrying amount.

(b) Measurement of fair value

(i) Fair value hierarchy

Management has not involved external valuator for investment property valuation as of 31 December 2021. Per management's assessment the fair value of investment property as of the reporting date approximates its carrying value.

The following valuation technique was 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.

Significant unobservable inputs of the approach applied on 31 December 2021.

- Location – from -20% to +20%
- Size - from -30% to +25%
- Interior/exterior condition and renovation- AMD 70 - 100 thousand per sq.m.

13. Inventories

'000 AMD	31 December 2022	31 December 2021
Raw materials	6,926,805	5,524,444
Work in progress	1,525,050	726,656
Finished goods	368,154	340,694
Spare parts	315,743	255,796
Raw materials in transit	307,069	115,208
Fuel and consumables	69,606	72,629
Other	18,690	6,894
	9,531,117	7,042,321

14. Trade and other receivables

'000 AMD	31 December 2022	31 December 2021
Trade receivables	7,382,392	2,914,033
Other receivables	23,775	27,568
Impairment allowance for trade receivables	(52,571)	(17,753)
Trade and other receivables included in loans and receivables category	7,353,596	2,923,848
Taxes receivable	21,648	29,879
Prepayments given	2,036,510	485,362
Total trade and other receivables	9,411,754	3,439,089

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 21.

15. Cash and cash equivalents

'000 AMD	31 December 2022	31 December 2021
Petty cash	6,676	15,987
Bank balances	472,924	1,127,066
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	479,600	1,143,052

The Groups's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 21.

16. Capital and reserves

(a) Share capital

The authorised, issued and fully paid share capital as at 31 December 2022 comprises of 62,923,840 ordinary shares at par value of AMD 150 (31 December 2021: 62,923,840 shares at par value of AMD 150).

All ordinary shares rank equally with regard to the Group's residual assets.

At 31 December 2022 98.7% of shares are pledged to secure bank loan (31 December 2021: 98.7%). (see Note 18(a)).

Number of shares unless otherwise stated

	Ordinary shares	
	2022	2021
In issue at 1 January	62,923,840	7,865,480
Issued and fully paid (by transfer from retained earnings)	-	55,058,360
In issue at 31 December, fully paid	62,923,840	62,923,840
Par value of ordinary shares AMD	150	150

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

(b) Dividends

In accordance with Armenian legislation the Group's distributable reserves are determined based on the Group's statutory consolidated financial statements prepared in accordance with IFRS Standards. During 2022 the Group declared and fully paid dividends amounted to AMD 8,000,000 thousand (2021: no declared and paid dividends). Dividend Per Share (DPS) for 2022 is AMD 127 (2021: nil).

(c) Earnings per share

The calculation of basic earnings per share at 31 December 2022 was based on the profit attributable to ordinary shareholders of AMD 8,917,844 thousand (2021: AMD 12,505,917 thousand), and a weighted-average number of ordinary shares outstanding of 62,923,840 (2021: 33,724,592), calculated as shown below. The Group has no dilutive potential ordinary shares.

	2022	2021
Issued shares at 1 January	62,923,840	7,865,480
Effect of shares issued on 14 June	-	55,058,360
Weighted average number of shares for the year ended 31 December	62,923,840	33,724,592

17. 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 the Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows, as well as loans and borrowings. With these measures the Group aims for steady profits growth.

There were no changes in the Group's approach to capital management during the years ended 31 December 2022 and 2021.

The Group is not subject to externally imposed capital requirements.

18. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing 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 21.

'000 AMD	31 December 2022	31 December 2021
<i>Non-current liabilities</i>		
Secured bank loans	5,131,726	-
	5,131,726	-
<i>Current liabilities</i>		
Secured bank loans	1,330,096	105,500
	1,330,096	105,500

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 AMD	Currency	Nominal interest rate*	Year of maturity	31 December 2022		31 December 2021	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loan	AMD	11.0%	2022	-	-	105,500	105,500
Secured bank loan	USD	6.50%	2025	590,995	590,995	-	-
Secured bank loan	AMD	12.0%	2025	1,069,212	1,069,212	-	-
Secured bank loan	USD	7.25%	2025	688,891	688,891	-	-
Secured bank loan	USD	7.25%	2029	4,112,724	4,112,724	-	-
Total interest-bearing liabilities				6,461,822	6,461,822	105,500	105,500

*Secured bank loans nominal interest rates approximate market rates.

Bank loans are secured by the following:

- At 31 December 2022 property, plant and equipment with a carrying amount of AMD 25,536,307 thousand (31 December 2021: AMD 26,213,660 thousand) are pledged as security to secure bank loan (see Note 11).
- At 31 December 2022 98.7% of shares are pledged to secure bank loan (31 December 2021: 98.7%), see (Note 16(a)).

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

'000 AMD	Liabilities	
	Loans and borrowings	
	2022	2021
Balance at 1 January	105,500	20,208,884
Changes from financing cash flows		
Proceeds from loans and borrowings	9,448,681	540,109
Repayment of loans and borrowings	(2,758,461)	(16,033,342)
Total changes from financing cash flows	6,690,220	(15,493,233)
The effect of changes in foreign exchange rates	(336,986)	(1,335,927)
Other changes		
Interest expense	217,257	495,304
Interest paid (operating cash flows)	(57,672)	(3,769,528)
Subsidiarized loan interest	(156,497)	-
Total liability-related other changes	3,088	(3,274,224)
Balance at 31 December	6,461,822	105,500

19. Trade and other payables

'000 AMD	31 December 2022	31 December 2021
Trade payables	789,686	522,750
Salaries and wages	131,247	119,731
Total financial payables within current trade and other payables	920,933	642,481
Prepayments received from customers	-	12,656
Other taxes payable	224,201	88,695
Vacation reserve	99,664	63,628
Total trade and other payables	1,244,789	807,460

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 21.

20. Bonds issued

'000 AMD	Currency	Nominal interest rate	Year of maturity	31 December 2022	31 December 2021
Domestic bonds issued	AMD	12%	11.06.2031	15,100,530	13,304,156
Domestic bonds issued	USD	7%	11.06.2031	5,927,326	259,306
				21,027,856	13,563,462

On 11 June 2021, the Group has issued and placed debt securities denominated in AMD and USD with nominal amount of AMD 15,000 million and USD 15 million, respectively. Around 60% of debt securities denominated in AMD are held by shareholders and 90% of debt securities denominated in USD are held by related parties. During 2022 subsidiary sold bonds in total amount of AMD 8,468 million.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	2022	2021
Balance at 1 January	13,563,462	-
Changes from financing cash flows		
Proceeds from issue	-	22,779,150
Purchase of bonds issued	-	(8,738,383)
Proceeds from sale of bonds issued	8,467,525	
Total changes from financing cash flows	8,467,525	14,040,767
The effect of changes in foreign exchange rates	(820,506)	(602,627)
Other changes		
Interest expense	2,074,943	1,284,717
Interest paid (operating cash flows)	(2,257,569)	(1,159,395)
Balance at 31 December 2022	21,027,856	13,563,462

21. 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 secured and unsecured bank loans, borrowings received and trade and other payables.

(c) Financial risk management

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

- credit risk (see Note 21(c)(ii));
- liquidity risk (see Note 21(c)(iii));
- market risk (see Note 21(c)(iv)).

(i) Risk management framework

Management 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 analyze 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. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(ii) Credit risk

Credit risk is the risk of financial loss to the 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.

The carrying amounts of financial assets represent the maximum credit exposure.

'000 AMD	Note	Carrying amount	
		2022	2021
Trade and other receivables	14	7,353,596	2,923,848
Cash and cash equivalents	15	479,600	1,143,052
		7,833,196	4,066,900

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 5.

The Group does not have a special credit risk policy for its customers, however approximately 95% of Group's revenue is attributable to sales transactions with three largest customers one of which is a related party (2021: three customers one of which is a related party) and historically no losses have occurred with these customers and none of these customers' balances have been written off or are credit-impaired at the reporting dates. More than 90% of the Group's customers have been transacting with the Group for over four years.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of up to two months for customers.

The Group does not require collateral in respect of trade receivables.

As at 31 December 2022, the carrying amount of the Group's most significant 2 customer (a mining company with external rating from Moody's of B2 and international wholesale company which per management's estimate approximates to B3 rating under Moody's rating system based on the rating of international wholesale company's country of operations) was AMD 7,136,824 thousand (31 December 2021: AMD 2,658,655 thousand).

Expected credit loss assessment for customers

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies such as Moody's Investor Services.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2022.

31 December 2022 '000 AMD	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit- impaired
Trade receivables and contract assets				
Low risk	0.7%	7,382,392	(52,571)	No
Doubtful	0.0%	-	-	Yes
		7,382,392	(52,571)	

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for customers as at 31 December 2021.

31 December 2021 '000 AMD	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit- impaired
Trade receivables and contract assets				
Low risk	0.6%	2,914,033	(17,753)	No
Doubtful	0.0%	-	-	Yes
		2,914,033	(17,753)	

The Group defines low and doubtful risk as follows:

Low risk – the customer has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may not likely reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Doubtful risk – the customer for which full repayment is questionable and uncertain. The degree of repayment of amount in question ranges from a complete loss to an uncertain loss unless corrective actions are taken. Doubtful customers are usually nonperforming customers for which the full collection of balance is in threat.

Movements in the allowance for impairment in respect of trade receivables and contract assets

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

'000 AMD	2022	2021
Balance at 1 January	(17,753)	(9,608)
Net remeasurement of loss allowance	(34,818)	(8,145)
Balance at 31 December	(52,571)	(17,753)

Cash and cash equivalents

The Group held bank balances of AMD 472,924 thousand at 31 December 2022 (31 December 2021: AMD 1,127,066 thousand), which represents its maximum credit exposure on these assets.

The bank balances (current accounts) are held with largest Armenian banks rated Ba3 per Moody's agency and the Group does not expect them to fail to meet their obligations.

Per Group's assessment no impairment loss is recognized on current accounts with banks primarily due to their short maturities.

(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.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at 31 December 2022 and 31 December 2021. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

31 December 2022

'000 AMD	Carrying amount	Total	On demand	Less than 2 mths	2-12 months	1-2 years	2-5 years	Over 5 years
Financial liabilities								
Secured bank loans	6,461,822	7,113,361	-	89,450	1,353,999	975,956	3,449,879	1,244,076
Bonds issued	21,027,856	36,371,189	-	338,405	1,506,957	1,820,281	5,445,927	27,259,618
Trade and other payables	920,930	920,930	-	920,930	-	-	-	-
	28,410,608	44,405,480	-	1,348,785	2,860,956	2,796,237	8,895,806	28,503,694

31 December 2021

'000 AMD	Carrying amount	Total	On demand	Less than 2 mths	2-12 months	1-2 years	2-5 years	Over 5 years
Financial liabilities								
Secured bank loans	105,500	109,154	-	-	109,154	-	-	-
Bonds issued	13,563,462	28,718,666	-	272,503	1,331,762	1,604,265	8,030,114	17,480,022
Trade and other payables	642,481	642,481	-	642,481	-	-	-	-
	14,311,443	29,470,301	-	914,984	1,440,916	1,604,265	8,030,114	17,480,022

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.

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Group. The currencies in which these transactions primarily are denominated are U.S. Dollar (USD) and Euro (EUR).

Exposure to currency risk

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

'000 AMD	USD- denominated 31 December 2022	USD- denominated 31 December 2021
Trade receivables	-	-
Cash and cash equivalents	4,526	504,335
Trade payables	(112)	(35)
Loans and borrowings	(5,392,610)	-
Bonds issued	(5,927,326)	(259,306)
Net exposure	(11,315,522)	244,994

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

in AMD	Average rate	Reporting date spot rate	
	2022	31 December 2022	31 December 2021
USD 1	434.86	393.57	480.14

Sensitivity analysis

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

'000 AMD	Strengthening Profit or loss	Weakening Profit or (loss)
31 December 2022		
AMD 10% movement against USD	1,131,552	(1,131,552)
31 December 2021		
AMD 10% movement against USD	24,499	(24,499)

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 judgement 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 as follows:

'000 AMD	Carrying amount	
	31 December 2022	31 December 2021
Fixed rate instruments		
Financial liabilities	27,489,677	13,668,962
	27,489,677	13,668,962

Fixed-rate financial liabilities include fixed rate issued bonds in total amount AMD 21,027,856 thousand and secured bank loans of AMD 6,461,822 thousand as at 31 December 2022.

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 as available-for-sale. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

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 Group does not have full coverage for its 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) Litigation

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.

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 consolidated 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 consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

23. Related parties

(a) Parent and ultimate controlling party

The Group's major shareholders are Moraco Holding Limited (49.35%), Gevorg Harutyunyan (16.52%), Tigran Harutyunyan (16.52%) and Vahan Harutyunyan (16.52%). Moraco Holding Limited does not have publicly available financial statements.

The Group has no ultimate controlling party as at 31 December 2022.

(b) Transactions with key management personnel

(i) Key management remuneration

Key management received the following remuneration during the year, which is included in employee benefit expenses (see Note 7):

'000 AMD	2022	2021
Salaries and bonuses	56,657	51,058

(ii) Key management personnel transactions

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

'000 AMD	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2022	2021	2022	2021
Lease of transport vehicle	720	720	54	270

(c) Other related party transactions

'000 AMD	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2022	2021	2022	2021
Sale of goods and services:				
Entities under common control and related to shareholders	26,096,256	22,812,620	7,339,761	2,245,319
Purchase of goods and services:				
Entities under common control and related to shareholders	(1,769,210)	(3,694,142)	(84,007)	(25,640)
Loans received:				
Shareholders	-	(4,510,284)	-	-
Entities under common control and related to shareholders	-	(10,481,011)	-	-
Bonds issued:				
Shareholders	(9,477,596)	(10,197,426)	(9,477,596)	(10,197,426)
Entities under common control and related to shareholders	(5,480,564)	(75,141)	(5,480,564)	(75,141)
Borrowings provided:				
Entities under common control and related to shareholders	4,270,725	-	-	-

All outstanding balances with related parties and shareholders (except bonds issued) are to be settled in cash within six months of the reporting date. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

The interest expense in respect of outstanding loans from related parties is of nil (2021: AMD 358,304 thousand). The interest expense in respect of outstanding bonds issued is of AMD 1,547,169 thousand (2021: AMD 768,379 thousand).

24. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

25. Significant accounting policies

The accounting policies set out below have been applied consistently to all entities and 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 5.

(b) 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 and expense are recognised using the effective interest method.

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

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

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

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

(c) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group 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 amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

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 arising in translation are recognized in profit or loss.

(d) 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 Group 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.

(e) Income tax

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognized 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 recognized 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.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

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

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of raw materials and spare parts is based on the first-in first-out principle and the cost of finished goods and work in progress is based on weighted average cost 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.

(g) Property, plant and equipment

(i) Recognition and measurement

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

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve as revaluation surplus is transferred to retained earnings.

(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, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant 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.

Since 2021 depreciation of major equipment used in melting process and steel casting process is depreciated using unit of production method. Depreciation on other items is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

- | | |
|----------------------------|--------------|
| – Buildings and structures | 50-70 years; |
| – Flow lines | 20-25 years; |
| – Machinery and equipment | 15-25 years; |
| – Vehicles | 3-5 years. |

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

(h) Investment property

Investment property is initially measured at cost, including transaction costs. Subsequently, investment property is measured at cost less accumulated depreciation and less accumulated impairment losses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of investment property. The estimated useful live of investment property is 35 years.

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.

(i) Government grants

Government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants related to acquisition of assets are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

Grants in the form of Government subsidy of interest expenses on loans from banks are recognised in profit or loss on a systematic basis as the entity recognises as expenses the costs that the grants are intended to compensate.

(j) Financial instruments

(i) Recognition and initial measurement

Trade receivables 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

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.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. 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 – Business model assessment

The Group 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 Group'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 Group 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 Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group'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. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

The Group classified its financial assets into financial assets at amortised cost category. These assets 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 cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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

Financial assets

If the terms of a financial asset are modified, the Group 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 Group 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 Group 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 Group analogizes to the guidance on derecognition of financial liabilities.

The Group 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 Group 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 Group 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 Group 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 Group 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.

Group 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 Group 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 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.

(v) 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.

(k) Share capital

Ordinary shares

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

(l) Impairment

Non-derivative financial assets

Financial instruments

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances for 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

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

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group 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 Group 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 Group expects to receive).

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost 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 Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the consolidated 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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group 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 Group 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 Group's procedures for recovery of amounts due.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group 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) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Management considers that the Group comprises of one operating segment as the Board of the Group monitors the operating results of the Group as a single business unit. The General director is considered to be the Group's Chief Operating Decision Maker for the purpose of making decisions about resource allocation and performance assessment.

26. New standards and interpretations not yet adopted

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

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

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

There will be no impact from adoption of the amendments on the Group's consolidated financial statements.

(b) Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of 2020 amendments to no earlier than 1 January 2024. Due to these ongoing developments, the Group is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application. The Group is closely monitoring the developments.

(c) Other standards

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

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