ASCE Group OJSC

Consolidated Financial Statements for 2023

Contents

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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 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 consolidated 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 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.

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.

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

Davit Shamshyan
Engagement Partner

Irina Gevorgyan
Director of KPMG Armenia LLC

KPMG Armenia LLC
30 April 2024

Consolidated Statement of Financial Position as at 31 December 2023

’000 AMD	Note	31 December 2023	31 December 2022
Assets			
Property, plant and equipment	11	38,950,596	33,682,440
Investment property	12	1,072,520	1,094,811
Prepayments for non-current assets		189,429	2,045,761
Other assets		4,938	5,610
Non-current assets		**40,217,483**	**36,828,622**
Inventories	13	12,279,756	9,531,117
Trade and other receivables	14	8,704,360	9,411,754
Cash and cash equivalents	15	2,690,656	479,600
Current assets		**23,674,772**	**19,422,471**
Total assets		**63,892,255**	**56,251,093**
Equity			
Share capital	16	9,753,195	9,438,576
Retained earnings	16	18,898,626	13,928,124
Total equity		**28,651,821**	**23,366,700**
Liabilities			
Loans and borrowings	18	6,425,763	5,131,726
Deferred tax liabilities	10	3,733,969	3,822,660
Bonds issued	20	21,071,850	20,903,550
Non-current liabilities		**31,231,582**	**29,857,936**
Loans and borrowings	18	2,151,081	1,330,096
Trade and other payables	19	1,462,070	1,244,798
Bonds issued	20	124,967	124,306
Current tax liability		270,734	327,257
Current liabilities		**4,008,852**	**3,026,457**
Total liabilities		**35,240,434**	**32,884,393**
Total equity and liabilities		**63,892,255**	**56,251,093**

The consolidated statement of financial positionis to be read in conjunction with the notes forming part of the consolidated financial statements.

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

'000 AMD	Note	2023	2022
Revenue	5	30,940,005	34,288,753
Cost of sales	6	(21,128,269)	(21,887,057)
Gross profit		**9,811,736**	**12,401,696**
Other income		96,315	82,796
Distribution expenses		(1,190)	(156,078)
Administrative expenses	7	(782,335)	(599,785)
Other expenses	8	(160,322)	(103,438)
Results from operating activities		**8,964,204**	**11,625,191**
Finance income	9	491,552	907,190
Finance costs	9	(3,367,918)	(2,292,200)
Net finance costs		**(2,876,366)**	**(1,385,010)**
Profit before income tax		**6,087,838**	**10,240,181**
Income tax expense	10	(802,717)	(1,322,337)
Profit and total comprehensive income for the year		**5,285,121**	**8,917,844**
Earnings per share			
Basic earnings per share (AMD)	16 (c)	84	142

These consolidated financial statements were approved by management on 30 April 2024 and were signed on its behalf by:

Hrachya Muradyan
Director

Karine Mamikonyan
Chief Financial Officer

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

Consolidated Statement of Changes in Equity for 2023

'000 AMD	Share capital	Retained earnings	Total
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
Total comprehensive income for the year	**-**	**8,917,844**	**8,917,844**
Transactions with owners of the Company			
Dividends paid		(8,000,000)	(8,000,000)
Total transactions with owners of the Group		**(8,000,000)**	**(8,000,000)**
Balance at 31 December 2022	**9,438,576**	**13,928,124**	**23,366,700**
Balance at 1 January 2023	9,438,576	13,928,124	23,366,700
Total comprehensive income			
Profit for the year	-	5,285,121	5,285,121
Total comprehensive income for the year	-	**5,285,121**	**5,285,121**
Transactions with owners of the Company			
Trasfer of retained earnings to share capital (Note 16)	314,619	(314,619)	**-**
Total transactions with owners of the Group	**314,619**	**(314,619)**	**-**
Balance at 31 December 2023	**9,753,195**	**18,898,626**	**28,651,821**

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.

Consolidated Statement of Cash Flows for 2023

’000 AMD	2023	2022
Cash flows from operating activities		
Cash receipts from customers	37,776,191	35,960,657
Cash paid to employees	(1,996,389)	(1,560,535)
Cash paid to suppliers	(22,308,412)	(24,900,791)
Taxes other than on income	(5,586,844)	(4,307,355)
Other payments	(152,116)	(183,010)
Cash flows from operations before income taxes and interest paid	**7,732,430**	**5,008,966**
Interest paid	(2,413,506)	(2,315,241)
Income tax paid	(947,930)	(2,474,368)
Net cash from operating activities	**4,370,994**	**219,357**
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,145,278)	(7,890,242)
Proceeds from sale of non-current assets	6,188	19,189
Borrowings provided	-	(4,270,725)
Proceeds from repayment of borrowings provided	-	4,270,725
Net cash used in investing activities	**(4,139,090)**	**(7,871,053)**
Cash flows from financing activities		
Proceeds from loans and borrowings	4,103,353	9,448,681
Repayment of loans and borrowings	(2,125,585)	(2,758,461)
Proceeds from sale of bonds issued	-	8,467,525
Dividends paid	-	(8,000,000)
Net cash from financing activities	**1,977,768**	**7,157,745**
Net increase/(decrease) in cash and cash equivalents	**2,209,672**	**(493,951)**
Cash and cash equivalents at 1 January	479,600	1,143,052
Effect of exchange rate fluctuations on cash and cash equivalents	1,384	(169,501)
Cash and cash equivalents at 31 December	**2,690,656**	**479,600**

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 2023

1. Reporting entity

(a) Organisation and operations

These consolidated financial statements have been prepared for the year ended 31 December 2023 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 2023, and 31 December 2022, the following shareholders directly owned more than 3% of the total outstanding shares of the Company:

% of ownership interest as at 31 December	2023	2022
Moraco Holding Limited	49.35%	49.35%
Mr. Mikhail Harutyunyan	16.53%	-
Mr. Tigran Harutyunyan	16.53%	16.53%
Mr. Vahan Harutyunyan	16.30%	16.29%
Mr. Gevorg Harutyunyan	-	16.53%

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

As at 31 December 2023 and 2022 Moraco Holding Limited is controlled by Mr. Mikhail Harutyunyan. The ultimate controlling party of the Group as at 31 December 2023 is Mr. Mikhail Harutyunyan.

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:

		2023	2022
Subsidiary	Country of incorporation	Ownership/voting	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 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 are 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, 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	**2023**	**2022**
Sale of goods	30,927,254	34,238,588
Revenue from services provided	12,751	50,165
Total revenue from contracts with customers	**30,940,005**	**34,288,753**

(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 2023.

’000 AMD	Mining companies	Construction companies	Companies from other industries	Total
Primary geographical markets				
Republic of Armenia	2,441,085	28,328,412	163,582	30,933,079
Export to Georgia	-	-	6,926	6,926
	2,441,085	**28,328,412**	**170,508**	**30,940,005**
Major products				
Steel rebars	-	28,316,534	11,810	28,328,344
Steel balls	2,441,085	-	13,386	2,454,471
Steel billets	-	-	144,439	144,439
Transportation services	-	11,878	873	12,751
	2,441,085	**28,328,412**	**170,508**	**30,940,005**
Timing of revenue recognition				
Products transferred at a point in time	2,441,085	28,316,534	169,635	30,927,254
Services transferred over time	-	11,878	873	12,751
Revenue from contracts with customers	**2,441,085**	**28,328,412**	**170,508**	**30,940,005**

Steel billets amounting AMD 3,814,208 thousand were sold to Georgian counterparty in 2022. There were no new orders to produce and sell in 2023.

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**

(c) Contract balances

The following table provides information about receivables 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'	14	6,851,752	7,382,392

The contract liabilities relate to the advance consideration received from customers. No contract liabilities exsist as at 31 December 2023 (as at 31 December 2022: nil)

(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	**2023**	**2022**
Materials	13,200,279	14,116,468
Utilities	3,815,497	4,254,349
Wages and salaries	2,187,795	1,842,920
Depreciation	1,807,518	1,592,945
Other	117,181	80,375
	21,128,269	**21,887,057**

Expenses by nature

'000 AMD	**2023**	**2022**
Changes in inventories of finished goods and work in progress	(1,433,787)	(825,854)
Materials	14,093,851	14,650,837
Utilities	4,119,641	4,457,484
Wages and salaries	2,793,388	2,146,063
Depreciation	1,969,516	1,689,821
Insurance and bank charges	137,253	164,235
Professional services	64,730	85,650
Taxes, other than on income	17,016	19,808
Security	7,200	6,480
Write-off of prepayments given	3,481	3,764
Other expenses	298,636	191,992
	22,070,925	**22,590,280**

7. Administrative expenses

’000 AMD	2023	2022
Wages and salaries*	457,494	233,380
Insurance and bank charges	137,253	164,235
Professional services	48,730	69,650
Office and utility expenses	45,860	42,089
Depreciation	39,641	36,576
Taxes, other than on income	17,016	19,808
Audit fee	16,000	16,000
Security	7,200	6,480
Other	13,141	11,567
	782,335	**599,785**

* Total employee benefits for 2023 amounted to AMD 2,793,063 thousand (2022: AMD 2,146,063 thousand).

8. Other expenses

’000 AMD	2023	2022
Vacation reserve	96,943	36,036
Donations	32,471	12,120
Write-off of goods	18,351	5,532
Write-off of prepayments given	3,481	3,764
Fines and penalties	40	1,666
Impairment losses on trade and other receivables	-	34,818
Other	9,036	9,502
	160,322	**103,438**

9. Net finance costs

’000 AMD	2023	2022
Interest income under the effective interest method on cash and cash equivalents	491,552	167,811
Net foreign exchange gain	-	739,379
Finance income	**491,552**	**907,190**
Financial liabilities measured at amortized cost – interest expense	(2,910,576)	(2,292,200)
Net foreign exchange loss	(457,342)	-
Finance costs	**(3,367,918)**	**(2,292,200)**
Net finance costs recognized in profit or loss	**(2,876,366)**	**(1,385,010)**

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% (2022: 18%) for Armenian companies.

’000 AMD	2023	2022
Current tax expense		
Current year	891,408	946,324
	891,408	**946,324**
Deferred tax expense		
Origination and reversal of temporary differences	(88,691)	376,013
Total tax expense	**802,717**	**1,322,337**

Reconciliation of effective tax rate:

	2023		2022	
	’000 AMD	**%**	**’000 AMD**	**%**
Profit before tax	6,087,838	100%	10,240,181	100%
Income tax at applicable tax rate	1,095,811	18%	1,843,233	18%
Tax relief*	(382,032)	(6)%	(390,123)	(4)%
Non-deductable expenses/ (non taxable income)	88,938	2%	(130,773)	(1)%
	802,717	**13%**	**1,322,337**	**13%**

* The RA Government decision N 498-A dated 15 April 2022 provides tax incentive program for the Company, according to which, the business plan (the plan) of the Company was approved and from commencement of the plan from 30 April 2022 and during the subsequent five tax years, the salaries and wages of new employees hired in the scope of the plan are deducted from the income tax amount at 100%. 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	
’000 AMD	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Property, plant and equipment	-	-	3,776,342	3,853,820	3,776,342	3,853,820
Inventories	-	-	37,023	55,272	37,023	55,272
Trade and other receivables	(44,113)	(68,492)	-	-	(44,113)	(68,492)
Trade and other payables	(35,283)	(17,940)	-	-	(35,283)	(17,940)
Net tax (assets)/liabilities	**(79,396)**	**(86,432)**	**3,813,365**	**3,909,092**	**3,733,969**	**3,822,660**

	Assets		Liabilities		Net	
'000 AMD	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
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**

(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 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**
Balance at 1 January 2023	11,190,403	21,970,030	5,771,997	311,798	144,720	39,388,949
Additions	701,223	1,966,573	214,334	139,946	4,236,719	7,258,795
Transfers	-	(914,671)	20,869	(550)	894,352	-
Disposals	(1,000)	(867)	-	(9,800)	-	(11,667)
Balance at 31 December 2023	**11,890,626**	**23,021,065**	**6,007,200**	**441,394**	**5,275,791**	**46,636,077**
Depreciation						
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)**
Balance at 1 January 2023	(1,163,704)	(4,273,377)	(224,136)	(45,293)	-	(5,706,509)
Depreciation for the year	(308,702)	(1,305,957)	(337,702)	(30,959)	-	(1,983,320)
Disposals	9	482	-	3,858		4,349
Balance at 31 December 2023	**(1,472,397)**	**(5,578,852)**	**(561,838)**	**(72,394)**	**-**	**(7,685,480)**
Carrying amounts						
At 1 January 2022	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
At 31 December 2023	**10,418,230**	**17,442,215**	**5,445,362**	**369,000**	**5,275,791**	**38,950,596**

Depreciation expense of AMD 1,929,875 thousand (2022: AMD 1,332,236 thousand) has been charged to cost of sales, AMD 17,409 thousand (2022: AMD 13,673 thousand) to administrative expenses and nil (2022: nil) to other expenses. Depreciation expense of AMD 36,036 thousand was capitalized.

Security

At 31 December 2023 property, plant and equipment of AMD 24,746,080 thousand (31 December 2022: AMD 25,536,307 thousand) are pledged as security to secure bank loan (see Note 18(a)).

12. Investment property

(a) Reconciliation of carrying amount

’000 AMD	**2023**	**2022**
Balance at 1 January	1,094,811	1,117,043
Depreciation for the year	(22,291)	(22,232)
Balance at 31 December	**1,072,520**	**1,094,811**

Investment properties are leased to related party for indefinite period.

The fair value of investment property approximates its carrying amount.

(b) The gross carrying amount and the accumulated depreciation

’000 AMD	**2023**	**2022**
Gross value at 1 January	1,117,043	1,117,043
Accumulated depreciation	(44,523)	(22,232)
Carrying amount at 31 December	**1,072,520**	**1,094,811**

(c) Measurement of fair value

(i) Fair value hierarchy

Management has not involved external valuator for investment property valuation as of 31 December 2023. 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 2023	31 December 2022
Raw materials	7,788,777	6,926,805
Work in progress	2,836,852	1,525,050
Finished goods	490,139	368,154
Spare parts	772,467	315,743
Raw materials in transit	206,520	307,069
Fuel and consumables	95,218	69,606
Other	89,783	18,690
	12,279,756	**9,531,117**

14. Trade and other receivables

'000 AMD	31 December 2023	31 December 2022
Trade receivables	6,851,752	7,382,392
Other receivables	22,321	23,775
Impairment allowance for trade receivables	(39,388)	(52,571)
Trade and other receivables included in loans and receivables category	**6,834,685**	**7,353,596**
Taxes receivable	183,407	21,648
Prepayments given	1,686,268	2,036,510
Total trade and other receivables	**8,704,360**	**9,411,754**

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 2023	31 December 2022
Petty cash	14,548	6,676
Bank balances	2,676,108	472,924
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	**2,690,656**	**479,600**

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The loss allowance for ECL is immaterial as at 31 December 2023 and 2022.

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 2023 comprises of 62,923,840 ordinary shares at par value of AMD 155 (31 December 2022: 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 2023 98.7% of shares are pledged to secure bank loan (31 December 2022: 98.7%). (see Note 18(a)).

Increase in share capital occurred by transfer from retained earnings. The number of shares did not change, the par value of ordinary shares increased instead.

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 Accounting Standards. During 2023 no dividends were declared and paid (2022: Group declared and fully paid dividends amounted to AMD 8,000,000 thousand). Dividend Per Share (DPS) for 2023 is nil (2022: 127).

(c) Earnings per share

The calculation of basic earnings per share at 31 December 2023 was based on the profit attributable to ordinary shareholders of AMD 5,285,118 thousand (2022: AMD 8,917,844 thousand), and a weighted average number of ordinary shares outstanding of 62,923,840 (2022: 62,923,840). The Group has no dilutive potential ordinary shares.

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 2023 and 2022.

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 2023	31 December 2022
Non-current liabilities		
Secured bank loans	6,425,763	5,131,726
	6,425,763	**5,131,726**
Current liabilities		
Secured bank loans	2,151,081	1,330,096
	2,151,081	**2,151,081**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				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	USD	7.00%	2025	607,714	607,714	590,995	590,995
Secured bank loan	AMD	12.00%	2025	2,222,351	2,222,351	772,114	772,114
Secured bank loan	AMD	12.00%	2025	442,010	442,010	297,098	297,098
Secured bank loan	USD	7.25%	2025	625,892	625,892	688,891	688,891
Secured bank loan	USD	7.25%	2027	3,709,638	3,709,638	4,112,724	4,112,724
Secured bank loan	AMD	12.75%	2029	969,239	969,239	-	-
Total interest-bearing liabilities				**8,576,844**	**8,576,844**	**6,461,822**	**6,461,822**

* Secured bank loans nominal interest rates approximate market rates.

Bank loans are secured by the following:

- At 31 December 2023 property, plant and equipment with a carrying amount of AMD 24,746,080 thousand (31 December 2022: AMD 25,536,307 thousand) are pledged as security to secure bank loan (see Note 11).
- At 31 December 2023 98.7% of shares are pledged to secure bank loan (31 December 2022: 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	
	2023	2022
Balance at 1 January	**6,461,822**	**105,500**
Changes from financing cash flows		
Proceeds from loans and borrowings	4,103,353	9,448,681
Repayment of loans and borrowings	(2,125,585)	(2,758,461)
Total changes from financing cash flows	**1,977,768**	**6,690,220**
The effect of changes in foreign exchange rates	**132,737**	**(336,986)**
Other changes		
Interest expense	698,547	217,257
Interest paid (operating cash flows)	(203,150)	(57,672)
Subsidarized loan interest	(490,880)	(156,497)
Total liability-related other changes	**4,517**	**3,088**
Balance at 31 December	**8,576,844**	**6,461,822**

19. Trade and other payables

'000 AMD	31 December 2023	31 December 2022
Trade payables	969,697	789,686
Salaries and wages	182,381	131,247
Total financial payables within current trade and other payables	**1,152,078**	**920,933**
Other taxes payable	113,977	224,201
Vacation reserve	196,015	99,664
Total trade and other payables	**1,462,070**	**1,244,798**

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 2023	31 December 2022
Domestic bonds issued	AMD	12%	11.06.2031	15,101,678	15,100,530
Domestic bonds issued	USD	7%	11.06.2031	6,095,139	5,927,326
				21,196,817	**21,027,856**

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 63% (2022: 60%) of debt securities denominated in AMD and 92% (2022: 90%) of debt securities denominated in USD are held by shareholders. During 2023 subsidiary did not sell bonds (2022: AMD 8,468 million).

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

	2023	2022
Balance at 1 January	21,027,856	13,563,462
Changes from financing cash flows		
Proceeds from sale of bonds issued	-	8,467,525
Total changes from financing cash flows	**-**	**8,467,525**
The effect of changes in foreign exchange rates	**167,289**	**(820,506)**
Other changes		
Interest expense	2,212,029	2,074,943
Interest paid (operating cash flows)	(2,210,357)	(2,257,569)
Balance at 31 December 2023	**21,196,817**	**21,027,856**

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 bank loans, bonds issued 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.

		Carrying amount	
'000 AMD	**Note**	**2023**	**2022**
Trade and other receivables	14	6,834,685	7,353,596
Cash and cash equivalents	15	2,676,108	472,924
		9,510,793	**7,826,520**

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 (2022: 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 2023, the carrying amount of the Group's most significant customer (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 6,523,206 thousand (31 December 2022: AMD 7,136,824 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. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

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 2023.

31 December 2023 **'000 AMD**	**Weighted average loss rate**	**Gross carrying amount**	**Impairment loss allowance**	**Credit-impaired**
Trade receivables and contract assets				
Low risk	0.6%	6,851,752	(39,388)	No
		6,851,752	**(39,388)**	

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 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
		7,382,392	**(52,571)**	

The Group defines low 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.

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	**2023**	**2022**
Balance at 1 January	(52,571)	(17,753)
Net remeasurement of loss allowance	13,183	(34,818)
Balance at 31 December	**(39,388)**	**(52,571)**

Cash and cash equivalents

The Group held bank balances of AMD 2,676,108 thousand at 31 December 2023 (31 December 2022: AMD 472,924 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 2023 and 31 December 2022. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

31 December 2023

'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	8,576,844	10,139,424	-	380,021	2,443,759	3,960,775	2,882,631	472,237
Bonds issued	21,196,817	37,768,715	-	377,950	1,853,175	2,225,030	6,681,184	26,631,376
Trade and other payables	1,152,078	1,152,078	-	1,152,078	-	-	-	-
	30,925,739	**49,060,217**	**-**	**1,910,049**	**4,296,934**	**6,185,805**	**9,563,815**	**27,103,613**

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**

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 currency in which these transactions primarily are denominated is U.S. Dollar (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	409,276	4,526
Trade payables	(498,256)	(112)
Loans and borrowings	(4,940,615)	(5,392,610)
Bonds issued	(6,095,722)	(5,927,326)
Net exposure	**(11,125,317)**	**(11,315,522)**

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

in AMD	**Average rate**	**Average rate**	**Reporting date spot rate**	
	2023	**2022**	**31 December 2023**	**31 December 2022**
USD 1	392.54	434.86	404.79	393.57

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**	**Weakening**
	Profit or loss	**Profit or (loss)**
31 December 2023		
AMD 10% movement against USD	1,112,532	(1,112,532)
31 December 2022		
AMD 10% movement against USD	1,131,552	(1,131,552)

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 2023	**31 December 2022**
Fixed rate instruments		
Financial liabilities	29,773,661	27,489,677
	29,773,661	**27,489,677**

Fixed-rate financial liabilities include fixed rate issued bonds in total amount AMD 21,196,817 thousand and secured bank loans of AMD 8,576,844 thousand as at 31 December 2023.

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%), Mikhail Harutyunyan (16.53%), Tigran Harutyunyan (16.53%) and Vahan Harutyunyan (16.30%). Moraco Holding Limited does not have publicy available financial statements.

The ultimate controlling party of the Group as at 31 December 2023 is Mr. Mikhail Harutyunyan.

(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	**2023**	**2022**
Salaries and bonuses	**230,788**	**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**	
	2023	**2022**	**2023**	**2022**
Lease of transport vehicle	600	720	600	54

(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 goods and services:				
Entities under common control and related to shareholders	28,326,184	26,116,067	6,534,090	7,339,761
Purchase of goods and services:				
Entities under common control and related to shareholders	(2,777,570)	(5,291,152)	1,259,426	(84,239)
Bonds issued:				
Shareholders	-	(9,477,596)	(15,123,070)	(9,477,596)
Entities under common control and related to shareholders		(5,480,564)	(292,180)	(5,480,564)
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 bonds issued is of AMD 1,543,263 thousand (2022: AMD 1,547,169 thousand).

24. Basis of measurement

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

25. 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 financial statements.

Also the Group 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 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.

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

(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) 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.

(e) 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.

(f) 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 2022 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.

(g) 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.

(h) Government grants

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.

(i) 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 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.

(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.

(j) 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.

(k) 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 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

(a) Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1)

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024. The Group does not have covenants on loans and borrowings, hence no impact is expected from amendments.

(b) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after 1 January 2024. The Group does not have supplier finance arrangements, hence no impact is expected from amendments.

(c) Other standards

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

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).
- Lack of Exchangeability (Amendments to IAS 21).