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Capital Asset Management cjsc

2013 Annual Report

Capital Asset Management CJSC

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TO OUR READERS AND UNITHOLDERS OF FUNDS MANAGED BY CAPITAL ASSET MANAGEMENT CJSC

Capital Asset Management is pleased to submit its 2013 report. This report is intended to provide you with financial information regarding the Funds we manage, brief comments concerning their performance and the strategies we employ in managing them, as well as information on the company itself.

Capital Asset Management CJSC was the first investment fund and voluntary pension fund management company registered in Armenia. Since its establishment, Capital Asset Management CJSC has been committed to offering investment and retirement solutions to investors in Armenia and abroad. By entering the market with CAM Government Securities Investment Fund (CAM GSF) and our two voluntary pension funds CAMAVOR 1 and CAMAVOR 2 we believe we can offer local investors a strong alternative to bank deposits and other traditional investment instruments.

The traditional social security system in Armenia which had proved to be inefficient until recently did not have any alternatives. Even those who recognized the need for saving for the retirement did not have any investment options but the regular bank deposits which are neither a diversified nor an institutionalized retirement vehicle. Thus, the need for an alternative retirement system was clear. In 2013 we launched the voluntary pension funds, however, as pension funds were and still remain a relatively new concept for Armenia, it has been very difficult to raise the awareness about the product as well as marketing it to the public. In addition, we did not see much interest from employers and sponsored retirement plans for making contributions in pension funds. As a result, we have not been able to raise much assets in CAMAVOR 1 and CAMAVOR 2 pension funds. Despite the low levels of assets under management, CAMAVOR 1 and CAMAVOR 2 have delivered double digit returns since their inception activity in June of 2013. For CAMAOR 1 and CAMAVOR 2 the returns since inception to the period end were 14.46% and 20.06% respectively. Regardless of the existing challenges, we believe that with the right strategy and mission, we will be able to expand our client base and provide retirement solutions to more people in the years to come.

In relation to our investment funds, since its inception CAM Government Securities Investment Fund has delivered exceptional returns to its investors. The Share classes A, B, and C have returned 30.68%, 30.29%, 30.00% since starting operations on June 4th, 2013. Although the growth of Net Asset Value of the fund had a lot to do with major movements in market interest rates, we have been able to take advantage of the situation and earn above average returns and thus add more value for our investors.

Thank you for your confidence in Capital Asset Management. It is our privilege to serve you, and we look forward to serving your retirement needs in the future. If you have any questions or comments please do not hesitate to contact us.

Sincerely,

Hayk Voskanyan
Chief Executive Officer

The voluntary pension and investment funds of CAPITAL ASSET MANAGEMENT CJSC

As of the reporting period to 31 December 2013, Capital Asset Management cjsc had launched three funds under its management each with distinct investment objective and strategy. The funds under management include two voluntary pension funds and one investment fund with the following strategies and objectives:

Market Review

The year of 2013 saw significant changes in the government securities market. Since the middle of the 3rd quarter, the Armenian Ministry of Finance occasionally announced that it would pursue a policy of reducing the interest rates on locally issued government securities across the yield curve. The possibility and likelihood of such policy became more evident after the Armenian Government raised $ 700 million in debut Eurobond issue in September of 2013 which served as an alternative source of funding. As a result, the bond market gained a strong sentiment of future decrease in internal supply of Government debt. These expectations acted as the main force driving interest rates down during the 4th quarter of 2013.

The Armenian government securities market was also affected by the introduction of the mandatory pension system that was scheduled to start in the beginning of 2014. Due to the lack of investment options in the Armenian securities market, it was expected that the mandatory pension funds would allocate large amounts of assets into the government securities increasing the demand for them. This increase in expected demand also affected the price of government securities required by investors and dropped the interest rates even further down. As an example, the yield reduction on 7-year government bonds between the months of September and December amounted to about 350 basis points (3.5%).

However, these actions by the Finance Ministry and subsequent movements in the interest rates did not have much effect on other asset classes such as corporate bonds. The corporate bonds remained largely stable nearly at the same yield levels as they were before the movements in the market. The stocks traded in the Armenian market did not see any changes and were still traded at very low levels with no new offerings.

As far as the AMD/USD currency rate is concerned, the market did not experience much volatility. In fact, the Armenian Dram appreciated slightly compared to USD.

Voluntary Pension Funds

Investment Objectives

CAMavor 1 — The CAMavor 1 PENSION FUND seeks to provide a reasonable rate of return by investing in a full range of high-quality, fixed income securities. Fund assets may be invested in fixed-income securities including bonds issued by governments, corporations and municipalities as well as in fixed income funds. Fund investments may also include bank deposits up to 20% of the Fund assets, fixed income investment fund units up to 25% of the Fund assets, derivative instruments only for hedging purposes. Fund investments may include foreign securities up to 50% of the Fund assets and foreign currency-denominated securities up to 50% of the Fund assets.

CAMavor 2 — The CAMavor 2 PENSION FUND seeks to provide a reasonable rate of return by investing in a full range of high-quality, fixed income and equity securities. Fund assets may be invested in fixed-income securities including bonds issued by governments, corporations and municipalities as well as in equity securities. Fund investments may also include bank deposits up to 20% of the Fund assets, equity securities up to 25% of the Fund assets, investment fund units up to 25% of the Fund assets, derivative instruments only for hedging purposes. Fund investments may include foreign securities up to 50% of the Fund assets and foreign currency-denominated securities up to 50% of the Fund assets.

Portfolio Reviews

CAMavor 1

The Fund's positive performance is largely attributable to our emphasis on relative value in the portfolio. With this approach, we invested in Armenian Corporate and Government fixed income securities overweighing our exposure in the longer term area of the curve to take advantage of respective interest rates.

Our investment strategy was based on the expectations that due to the availability of alternative financing such as Eurobond offering as well the increase in expected demand caused by the introduction of the mandatory pension system, the value of the Government securities would increase substantially. Thus, we established an overweight to long term Government securities and an underweight to mid-term and short-term Government securities as well as corporate bonds. In addition, to diversify currency exposure, we allocated significant portion of fund assets to dollar-denominated corporate bonds. Due to relatively small size of fund assets, investing overseas would not have been cost-effective. As a result, fund investments were limited to the Armenian securities market.

CAMavor 2

The Fund's positive performance is largely attributable to our emphasis on relative value in the portfolio. With this approach, we invested in Armenian Corporate and Government fixed income securities overweighing our exposure in the longer term area of the curve to take advantage of respective interest rates.

Our investment strategy was based on the expectations that due to the availability of alternative financing such as Eurobond offering as well the increase in expected demand caused by the introduction of the mandatory pension system, the value of the Government securities would increase substantially. Thus, we established an overweight to long term Government securities and an underweight to mid-term and short-term Government securities as well as corporate bonds. In addition, to diversify currency exposure, we allocated significant portion of fund assets to dollar-denominated corporate bonds. Due to relatively small size of fund assets, investing overseas would not have been cost-effective. As a result, fund investments were limited to the Armenian securities market.

Investment Performance

Total returns for the period from 30 April 2013 (inception date) to 31 December 2013

	ONE MONTH*	THREE MONTHS*	SINCE INCEPTION*
CAMavor 1 PENSION FUND	**3.32%**	**9.80%**	**14.46%**

	ONE MONTH*	THREE MONTHS*	SINCE INCEPTION*
CAMavor 2 PENSION FUND	**4.87%**	**15.12%**	**20.06%**

According to the Fund rules, the Manager shall in three years from since inception date of the Fund construct and present a benchmark, based on which the participants will have the opportunity to assess the profitability level of the Fund in comparison to the benchmark. The benchmark will be constructed based on the standards for comparable instruments/indexes/market standards (standards) with regard to risk, profitability, time horizon of different groups of assets. As of the date of this report, the benchmark is in the process of construction. Performance shown above is based on net asset value and assumes reinvestment of distributions, if any.

Past performance does not guarantee future results.

** Not annualized. One month and three months information represents the respective periods to 31 December 2013.*

Investment Fund

Investment Objectives

CAM Government Securities Investment Fund — The Fund aims to provide regular income and stable growth by investing exclusively in Government Securities issued by the Republic of Armenia or securities issued or fully guaranteed by the Central Bank of Armenia. The Fund is suitable for conservative investors who seek to achieve high returns and take advantage of the fund's liquidity while not taking high risk. Class A is aimed for long-term investing (more than 4 years), Class B is for medium-term investing (1-3 years) and Class C is for short-term investing (less than 1 year).

Portfolio Review

The Fund's positive performance is largely attributable to our emphasis on relative value in the portfolio. With this approach, we invested in Government fixed income securities overweighing our exposure in the longer term area of the curve to take advantage of respective interest rates.

Our investment strategy was based on the expectations that due to the availability of alternative financing such as Eurobond offering as well the increase in expected demand caused by the introduction of the mandatory pension system, the value of the Government securities would increase substantially. Thus, we established an overweight to long term Government securities and an underweight to mid-term and short-term Government securities.

Investment Performance

Total returns for the period from April 30, 2013 (inception date) to December 31, 2013

	ONE MONTH*	THREE MONTHS*	SINCE INCEPTION*
Class A	**6.93%**	**21.46%**	**30.68%**
Class B	**6.88%**	**21.28%**	**30.29%**
Class C	**6.80%**	**21.02%**	**30.00%**

According to the Fund rules, the Manager in year 1 since the Fund's inception to construct and present a benchmark, based on which the participants will have the opportunity to assess the profitability level of the Fund in comparison to the benchmark. The benchmark will be constructed based on the standards for comparable instruments/indexes/market standards (standards) with regard to risk, profitability, time horizon of different groups of assets. As of the date of this report, the benchmark is in the process of construction. Performance shown above is based on net asset value and assumes reinvestment of distributions, if any.

Past performance does not guarantee future results.

** Not annualized. One month and three months information represents the respective periods to 31 December 2013*

NOTE TO FUNDS' FINANCIAL INFORMATION PRESENTED:

RISK FACTORS: fund investments and securities investments are subject to market risks and there is no assurance or guarantee against loss in the fund or that the fund's objectives will be achieved. As with any investment in securities, the NAV of the Units issued under the fund can go up or down depending on various factors and forces affecting capital markets. Past performance does not indicate the future performance of the Scheme. Investors in the fund are not being offered a guaranteed or assured rate of return. CAMavor 1, CAMavor 2 and CAM GSF are only the names of the respective funds and they do not in any manner indicate the quality of the fund or their future prospects and returns. Funds invest in securities which may not always be profitable and there can be no guarantee against loss resulting from investing in the fund. The fund's value may be impacted by fluctuations in the bond markets, fluctuations in interest rates, prevailing political, economic and social environments, changes in government policies and other factors specific to the issuer of the securities, tax laws, liquidity of the underlying instruments, settlement periods, trading volumes, etc. Redemptions due to a change in the fundamental attributes of the fund or due to any other reason may entail tax consequences. Such tax shall be borne by the investor and the Fund shall not be liable for any tax consequences that may arise. For fund specific risk factors, please refer to the fund rules.

CAMavor 1 PENSION FUND

FINANCIAL INFORMATION (see accompanying note below)

SUMMARY STATEMENT OF FINANCIAL POSITION

AMD'000	December 31, 2013
Assets:	
Cash and cash equivalents	1,170
Financial assets at fair value through profit or loss	2,991
Total Assets	**4,161**
Liabilities:	
Accrued payables	5
Total Liabilities	**5**
Net Assets attributable to unitholders equivalent to 1,145 dram per 3,631 units outstanding	**4,156**

SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

AMD'000	April 30, 2013 (date of inception) to December 31, 2013
Investment Income:	
Interest income	98
Expenses:	
Management fees	24
Custodian fees	2
Total Expenses	**26**
Net Investment Income	72
Net gain from financial assets at fair value through profit or loss	315
Net increase in net assets resulting from operations	387

SUMMARY STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

AMD'000	April 30, 2013 (date of inception) to December 31, 2013
Investment Activities:	
Net increase in net assets resulting from operations	387
Income distributed	-
Change in net assets derived from investment activities	**387**
From Unitholders' Transactions:	
Unitholder units purchased	3,769
Unitholder units redeemed	-
Net increase in net assets derived from unitholders transactions	**3,769**
Net increase in net assets	4,156
Net Assets:	
Beginning of year	-
End of year	**4,156**

See accompanying note below

CAMavor 2 PENSION FUND

FINANCIAL INFORMATION (see accompanying note below)

SUMMARY STATEMENT OF FINANCIAL POSITION

AMD'000	December 31, 2013
Assets:	
Cash and cash equivalents	841
Financial assets at fair value through profit or loss	1,849
Total Assets	**2,690**
Liabilities:	
Accrued payables	3
Total Liabilities	**3**
Net Assets attributable to unitholders equivalent to 1,145 dram per 3,631 units outstanding	**2,687**

SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

AMD'000	April 30, 2013 (date of inception) to December 31, 2013
Investment Income:	
Interest income	92
Expenses:	
Management fees	19
Custodian fees	1
Total Expenses	**20**
Net Investment Income	72
Net gain from financial assets at fair value through profit or loss	293
Net increase in net assets resulting from operations	365

SUMMARY STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

AMD'000	April 30, 2013 (date of inception) to December 31, 2013
Investment Activities:	
Net increase in net assets resulting from operations	365
Income distributed	-
Change in net assets derived from investment activities	**365**
From Unitholders' Transactions:	
Unitholder units purchased	2,322
Unitholder units redeemed	-
Net increase in net assets derived from unitholders transactions	**2,322**
Net increase in net assets	2,687
Net Assets:	
Beginning of year	-
End of year	**2,687**

See accompanying note below.

CAM Government Securities Investment Fund

FINANCIAL INFORMATION (see accompanying note below)

SUMMARY STATEMENT OF FINANCIAL POSITION

AMD'000	December 31, 2013
Assets:	
Cash and cash equivalents	158
Financial assets at fair value through profit or loss	76,578
Total Assets	**76,736**
Liabilities:	
Income tax payable	3
Accrued payables	83
Total Liabilities	**86**
Net Assets attributable to unitholders equivalent to 1,145 dram per 3,631 units outstanding	**76,650**

SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

AMD'000	April 30, 2013 (date of inception) to December 31, 2013
Investment Income:	
Interest income	**2,980**
Expenses:	
Management fees	379
Custodian fees	37
Commission fees	3
Income taxes payable	3
Total Expenses	**422**
Net Investment Income	**2,558**
Net gain from financial assets at fair value through profit or loss	**11,688**
Net increase in net assets resulting from operations	**14,246**

SUMMARY STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

AMD'000	April 30, 2013 (date of inception) to December 31, 2013
Investment Activities:	
Net increase in net assets resulting from operations	14,246
Income distributed	-
Change in net assets derived from investment activities	**14,246**
From Unitholders' Transactions:	
Unitholder units purchased	62,404
Unitholder units redeemed	-
Net increase in net assets derived from unitholders transactions	**62,404**
Net increase in net assets	76,650
Net Assets:	
Beginning of year	-
End of year	**76,650**

See accompanying note below.

Note to the financial information presented above.

The financial information are derived from the complete audited financial statements of CAMavor 1 Pension Fund, CAMavor 2 Pension Fund and CAM GSF as at 31 December 2013 and for the period from 30 April (date of their inception) to 31 December 2013.

Because of the aggregated and summarized nature, this summary financial information cannot provide full understanding of the financial performance and financial position of the respective funds. The complete audited financial statements of the CAMavor 1, CAMavor 2 and CAM GSF are available upon request by contacting the Funds' Manager and through their public domains.

Capital Asset Management cjsc financial statements for the year ended 31 December 2013

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Statement of management's responsibilities for the preparation and approval of the financial statements for the year ended December 31, 2013

Management is responsible for the preparation of the financial statements that present fairly the financial position of Capital Asset Management cjsc (the "Company" or "CAM") as of 31 December 2013, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- making an assessment of the Company's ability to continue as a going concern

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with Country legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Company for the year ended 31 December 2013 were approved by management on 14 April 2014:

On behalf of the Management:

Hayk Voskanyan,	**Karen Khachatryan,**
Chief Executive Officer	Chief Accountant, Authorised representative
Capital Asset Management cjsc	

14 April 2014

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To: Shareholders and Board of Directors of Capital Asset Management cjsc

We have audited the accompanying financial statements of Capital Asset Management cjsc, which comprise the statement of financial position as at December 31, 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.
We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Capital Asset Management cjsc as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of Capital Asset Management cjsc as at and for the period from October 18, 2012 (date of inception) to December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on April 25, 2013.

Srbuhi Hakobyan
Executive Director

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Arpine Ghevondyan
Audit Director

14 April 2014

STATEMENT OF FINANCIAL POSITION

In thousands of dram	Note	31 December 2013	31 December 2012
Assets			
Cash and cash equivalents	10	1,915	530
Financial assets at fair value through profit or loss	12		
- Held by the Company		96,215	95,765
- Pledged under repurchase agreements		30,799	-
Due from banks	11	100,855	101,049
Property and equipment	13	10,215	563
Intangible assets		1,659	-
Deferred tax assets	9	216	642
Other assets	14	2,617	9,600
Total assets		**244,491**	**208,149**
Equity and liabilities			
Capital and reserves			
Share capital	15	210,000	210,000
Retained earnings		982	(2,566)
Total equity		**210,982**	**207,434**
Liabilities			
Repurchase agreements	12	30,726	-
Payables and accrued expenses	16	2,783	715
Total liabilities		**33,509**	**715**
Total equity and liabilities		**244,491**	**208,149**

Approved for issuance on 14 April 2014.

Hayk Voskanyan
Chief Executive Officer

Karen Khachatryan
Chief Accountant, Authorised representative

The notes on pages 18 to 41 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of dram	Note	Year ended 31 December 2013	October 18, 2012 (date of inception) to December 31, 2012
Fund management activities			
Revenue	5	422	-
Financial `income			
Interest income	6	26,895	4,072
Interest expense	6	(3,901)	-
Net gain (loss) on financial instruments at fair value through profit or loss	7	23,075	(217)
Commission income		195	-
Commission expense		(106)	-
Net finance income		**46,580**	**3,855**
Administrative expenses	8	(42,606)	(7,063)
Profit (loss) before tax		**3,974**	**(3,208)**
Income tax (expense) benefit	9	(426)	642
Profit for the year / (loss) for the period		**3,548**	**(2,566)**
Other comprehensive income		-	-
Total profit and comprehensive income for the year / (loss) and comprehensive income for the period		**3,548**	**(2,566)**

Approved for issuance on 14 April 2014.

Hayk Voskanyan
Chief Executive Officer

Karen Khachatryan
Chief Accountant, Authorised representative

The notes on pages 18 to 41 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

In thousands of dram	Share Capital	Retained Earnings	Total
October 18, 2012 (date of inception) to December 31, 2012	-	-	-
Total loss and comprehensive income for the period	-	(2,566)	**(2,566)**
Transactions with shareholders			
Issue of ordinary shares	210,000	-	**210,000**
Total transactions with shareholders	**210,000**	-	**210,000**
Balance at 31 December 2012	**210,000**	**(2,566)**	**207,434**
Total profit and comprehensive income for the year	-	3,548	3,548
Balance at 31 December 2013	**210,000**	**982**	**210,982**

Approved for issuance on 14 April 2014.

Hayk Voskanyan
Chief Executive Officer

Karen Khachatryan
Chief Accountant, Authorised representative

The notes on pages 18 to 41 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

In thousands of dram	Note	Year ended 31 December 2013	October 18, 2012 (date of inception) to December 31, 2012
Cash flows from operating activities			
Management fees received		356	-
Interest received		26,407	951
Interest paid		3,803	-
Commission fees paid		(106)	-
Commission fees received		195	-
Purchase of financial assets at fair value through profit or loss		(62,106)	(94,050)
Proceeds from sale and redemption of financial assets at fair value through profit or loss		42,912	
Salaries and related expenses paid		(20,212)	-
Prepayments, operating and administrative expenses paid		(8,407)	(15,808)
Net cash used in operating activities		**(17,158)**	**(108,907)**
Cash flows from investing activities			
Deposits placed with banks		(100,000)	(100,000)
Deposits with banks redeemed		100,000	-
Purchase of property and equipment		(10,704)	(263)
Purchase of intangibles		(1,380)	(300)
Net cash used in investing activities		**(12,084)**	**(100,563)**
Cash flows from financing activities			
Proceeds from issue of share capital		-	210,000
Proceeds from repurchase agreements		70,298	-
Payments under repurchase agreements		(39,671)	-
Net cash inflows from financing activities		**30,627**	**210,000**
Net increase in cash and cash equivalents		1,385	530
Cash and cash equivalents at beginning of the year/period		530	-
Effect of exchange rate fluctuations on cash and cash equivalents		-	-
Cash and cash equivalents at end of the year/period		**1,915**	**530**

Approved for issuance on 14 April 2014.

Hayk Voskanyan
Chief Executive Officer

Karen Khachatryan
Chief Accountant, Authorised representative

The notes on pages 18 to 41 form an integral part of these financial statements.

1. Reporting entity

Capital Asset Management CJSC (the Company) is the first registered fund manager in the Republic of Armenia for investment and pension funds. The Company was founded on October 18, 2012 and registered with Central Bank of RA as an investment fund manager receiving license number 1. The Company's registered office is Khorenatsi 15, Suite 5, Yerevan, Republic of Armenia.

The "Capital Asset Management" CJSC is a fully owned subsidiary of "Capital Investments" CJSC and is ultimately controlled by Mr Tigran Karapetyan.

The Company is a fund manager offering asset management solutions including separately managed accounts, customized personal advice for tailored portfolios, and specialized planning and full-time portfolio management. The Company operates the following open ended voluntary pension and investment funds:

- CAM Government Securities Investment Fund
- CAMavor 1 PENSION FUND
- CAMavor 2 PENSION FUND

Average number of employees in 2013 was 6 (2012: 4).

Business environment

Government regulators oversee the conduct of the Company's business in many ways, and may perform regular examinations to monitor compliance with applicable statutes, regulations and rules. These statutes, regulations and rules cover all aspects of the business, including sales and marketing activities, trading practices, treatment of customer assets, continuing education requirements for employees, anti-money laundering practices, know your client policies, recordkeeping and reporting, and supervision regarding the conduct of directors, officers and employees.

Armenian business environment

The Company's operations are conducted in the Republic of Armenia. Consequently, the Company and its assets are exposed to the economic and financial markets of the Armenian Republic which display characteristics of an emerging market. The legal, currency, tax and regulatory frameworks continue development and are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Armenia.

The assets are based in the Republic of Armenia. Emerging markets such as Armenia are subject to different risks than more developed markets. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Armenia and its economy in general. The Company's assets can be adversely affected by the general environment – economic, corporate, securities market, regulatory, and geopolitical developments all play a role in asset valuations, trading activity, interest rates and overall investor engagement, and are outside of the Company's control. Deterioration in credit markets, reductions in short-term interest rates, and decreases in securities valuations negatively impact the equity of the Company.

The future economic direction of the Republic of Armenia is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments. The global financial turmoil that has negatively affected Armenia's financial and capital markets in 2009 and 2010 has receded and the economy returned to growth in 2011 and 2012. However significant economic uncertainties remain. Management is unable to predict all developments which could have an impact on the financial sector and wider economy and consequently what effect, if any, they could have on the future earnings of the Company. Management believes it is taking all the necessary measures to support the sustainability and development of the Company. The accompanying financial statements reflect management's estimates of the potential effect of the current operating and business environment on the results and financial position. The future business environment may differ from management's estimates.

As investment manager the Company is also subject to regulatory requirements relating to fiduciary duties to clients, performance fees, maintaining an effective compliance program, solicitation arrangements, conflicts of interest, advertising, limitations on agency cross and principal transactions between the advisor and advisory clients, recordkeeping and reporting requirements, disclosure requirements and general anti-fraud provisions.
Financial institutions generally must have anti-money laundering procedures in place, implement specialized employee training programs and designate an anti-money laundering compliance officer. Further, regulatory activity in the areas of privacy and data protection continues to grow worldwide and is generally being driven by the growth of technology and related concerns about the rapid and widespread dissemination and use of information. To the extent they are applicable to the Company, it must comply with these global, federal, and local information-related laws and regulations.
Management has established policies, procedures and systems designed to comply with these regulations.

Fund management
The Company manages and administers assets held in unit funds and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these financial statements except when the Company controls the entity and consolidation requirements apply as per the respective reporting standards.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of preparation

The financial statements have been prepared on a historical-cost basis, except for financial instruments as explained in the accounting policies below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company maintains its accounting records in accordance with the law of Armenia. These financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 4.

(c) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Armenian dram is the currency of the Republic of Armenia and the Company's functional and presentation currency. All financial information is presented rounded to the nearest thousands of dram, except when otherwise indicated.

(d) Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

Current and deferred tax for the year. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Operating taxes. The Republic of Armenia also has various other taxes, which may be assessed on the Company's activities. These taxes are included as a component of operating expenses in the statement of profit or loss and other comprehensive income.

(e) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(f) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year relate to accounting for financial instruments, particularly fair value measurements. The best evidence of fair value is price quotations in an active market. In the absence of quoted prices in an active market, the Management uses other evaluation techniques, such as the comparative approach with similar instruments both in the internal and external markets. Fair value measurements are discussed in Note 18.

3. Significant accounting policies

The accounting policies set out below have been applied consistently throughout the reporting period.

(a) Foreign currency

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

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

(b) Interest

Interest income and expense, including interest income from non-derivative financial assets at fair value through profit or loss, are recognised in profit or loss, using the effective interest method.

When calculating the effective interest rate, the Management estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Interest received or receivable, and interest paid or payable are recognised in profit or loss as interest income and interest expense, respectively.

(c) Asset management activities

Portfolio and other management fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded rateably over the period the service is provided.

Asset management and administration fees relate to fees earned on fiduciary activities where the Company holds or invests assets on behalf of its clients, and provides other asset-based financial services. These fees are based upon daily balances of client assets invested in these funds. The Company also earns asset management fees for advice solutions, which include advisory and managed account services. The fair values of client assets included in funds are based on quoted market prices and other observable market data.

Assets under management and under custody of the Company are not assets of the Company and therefore are not recognised in the statement of financial position. The Company is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

(d) Security Transactions and Related Investment Income

Securities transactions are accounted for on trade date (date securities are purchased or sold). Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date. The cost of securities is computed on a weighted average cost basis.

With respect to any short-term and fixed-income investments, discounts and premiums are amortized and are included in investment income. The cost of securities sold is calculated on an amortized cost basis.

In the statement of profit or loss and other comprehensive income net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, but excludes interest and dividend income.

(e) Fees and commission expenses

Fees and commission expenses are recognised in profit or loss as related services are performed.

(f) Financial Instruments

The Company recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

Financial assets. Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held to maturity' ("HTM") investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL: Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Manager manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: *Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the 'net gain from financial instruments at fair value through profit or loss' and 'interest income' line item, respectively, in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described (see Note 12).

Held to maturity investments: Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Fund has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

If the Company were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Company would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

Available-for-sale financial assets: Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

Fair value is determined in the manner described. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables: Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Derecognition of financial assets: The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset other than in its entirety (e.g. when the Fund retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised is recognized in profit or loss. A cumulative gain or loss that had been recognised is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

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

Financial liabilities at FVTPL: Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Manager manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the ‘interest expenses’ line item in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described.

Other financial liabilities: Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities: The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Application of New and Revised International Financial Reporting Standards (IFRSs)

Amendments to IFRSs affecting amounts reported in the financial statements
In the current year, the following new and revised Standards and Interpretations have been adopted:

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Company has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10. IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group/Company.

Specifically, the Company has unitholdings in funds under its management. The management of the Company made an assessment as at the date of initial application of IFRS 10 (i.e. 1 January 2013) as to whether or not the Company has control over the funds in accordance with the new definition of control and the related guidance set out in IFRS 10. The management concluded that it the unitholding in funds does not meet the requirements for consolidation.

Amendments to IFRS 7 *Financial instruments: Disclosures.* The Company has applied the amendments to IFRS 7 titled *Disclosures – Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

In the current year, the Company transferred some financial assets that are not derecognised. The application of the amendments has resulted in more disclosures regarding the transfer of financial assets (see Note 12). In accordance with the transitional provisions set out in the amendments to IFRS 7, the Company has not provided comparative information for the disclosures required by the amendments for the prior period.

Amendments to IAS 1 *Presentation of financial statements (amended June 2011).* The Company has applied the amendments to IAS 1 titled *Presentation of Items of Other Comprehensive Income* in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendment increases the required level of disclosure within the statement of comprehensive income.

The impact of this amendment has been to analyse items within the statement of comprehensive income between items that will not be reclassified subsequently to profit or loss and items that will be reclassified subsequently to profit or loss in accordance with the respective IFRS standard to which the item relates. Other than presentation and disclosure requirement, the application of the amendments to IAS 1 do not result in any impact on profit or loss, comprehensive income and total comprehensive income.

IFRS 13 *Fair Value Measurement*. The Company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases, and measurements* that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:
IFRS 9 *Financial Instruments*
Amendments to IFRS 9 and IFRS 7 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*[2]
Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*[1]
Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to IAS 36 *Impairment of Assets*[1]
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*[1]
Amendments to IFRIC 21 *Levies*[1]

IFRS 9 *Financial Instruments.* IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The management has not estimated yet the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The management of the Company do not anticipate that the investment entities amendments will have any effect on the Company's financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The management do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Company's financial statements as the Company does not have any financial assets and financial liabilities that qualify for offset.

4. Risk management

The Company's business activities expose it to a variety of financial risks, including market, credit, liquidity risks, and non financial risks, including technology, operations, legal, and reputational risks. Identification and management of these risks are essential to the success and financial soundness of the Company. This note presents information about the Company's exposure to these risks, its objectives, policies and processes for measuring and managing risks.
The Company takes an active role in the risk management process and has policies and procedures under which specific business and control units are responsible for identifying, measuring, and controlling various risks. Oversight of risk management is delegated to the Executive body of the Company, which is responsible for reviewing and monitoring risk exposures and leading the continued development of risk management policies and practices. The specific areas include:

- credit and market risk, focusing on credit exposures resulting from taking positions in certain securities.
- information security and privacy, focusing on information security and privacy policies, procedures and controls
- investment management, focusing on activities in which the Fund and its principals operate in an investment advisory capacity
- operational risk management, focusing on risks relating to potential inadequate or failed internal processes, people and systems, and from external events and relationships (e.g., vendors and business partners).

Management has written policies and procedures that govern the conduct of business by employees, relationships with clients and the terms and conditions of relationships with product manufacturers. The client related policies address the client participation in funds, data and physical security, compliance with industry regulation and codes of ethics to govern employee and advisor conduct among other matters.

Risk is inherent in the Company's business. Consequently, despite efforts to identify areas of risk and implement risk management policies and procedures, there can be no assurance that the Company will not suffer unexpected losses due to operating or other risks.

a) Financial risk management

Financial risks are risks arising from financial instruments to which the Company is exposed during or at the end of the reporting period. Financial risk comprises market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Credit risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The Company bears credit risk primarily on investing activities and bank balances. The Company seeks to control its credit risks by applying monitored investment strategy as well as sound selecting of servicing banking partners. The Company may enter into secured financing transactions such as sale and repurchase agreements (repo agreements) or purchase and resale agreements (reverse repo agreements). For secured transactions involving repurchase and resale agreements the Company is permitted to sell or repledge the securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover any short positions.

The Company has responsibility for the oversight of credit risk and is responsible for management of the Company's credit risk, including formulating credit policies, covering collateral requirements, credit assessment, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, and by issuer, credit rating band, market liquidity and country. Management regularly reviews asset quality. The Company manges its risk appetite by approving a policy on limits, granting specific approval of large transactions.

As at 31 December 2013 credit risk exposure of assets is presented in the table below:

In thousands of drams	31 December 2013	31 December 2012	Country	Credit rating
Cash and cash equivalents	1,915	530	Armenia	Unrated
Financial assets at fair value through profit or loss	127,014	95,765	Armenia	Unrated
Due from banks	100,855	101,049	Armenia	Unrated
Other assets	66	-	Armenia	Unrated
	229,850	197,344		

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company maintains excess liquidity in the form of overnight cash deposits and short-term investments to cover daily funding needs. Factors which affect the cash position and cash flows include investment activity in securities, capital transactions and other factors. The combination of these factors can cause significant fluctuations in the cash position during specific time periods.

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

In the table below the financial assets and liabilities, as recognised in the statement of financial position as at 31 December 2013 and 2012, are presented on a discounted basis and are based on their contractual cash flows. Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms. Management holds a portfolio of securities that are liquid and can be used to meet outflows of financial liabilities. Management estimates that undiscounted cash flows for financial liabilities approximates the information presented in below table and is not separately presented.

	31 December 2013					
In thousands of drams	Carrying amount	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Financial Assets						
Cash and cash equivalents	1,915	1,915	-	-	-	-
Financial assets at fair value through profit or loss	127,014	-	3,342	9,687	78,420	35,565
Due from banks	100,855	855	-	100,000	-	-
Other assets	66	66	-	-	-	-
Total financial assets	229,850	2,836	3,342	109,687	78,420	35,565
Financial liabilities						
Repurchase agreements	30,726	30,726	-	-	-	-
Other liabilities	57	57	-	-	-	-
Total financial liabilities	30,783	30,783	-	-	-	-
Net position	199,067	(27,947)	3,342	109,687	78,420	35,565

In thousands of drams	31 December 2012 Carrying amount	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Financial Assets						
Cash and cash equivalents	530	530	-	-	-	530
Financial assets at fair value through profit or loss	95,765	-	5,808	28,691	61,266	95,765
Due from banks	101,049	1,049		100,000	-	101,049
Total financial assets	**197,344**	**1,579**	**5,808**	**128,691**	**61,266**	**197,344**
Net position	**197,344**	**1,579**	**5,808**	**128,691**	**61,266**	**197,344**

Market risk

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

Interest rate risk

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

Interest income is affected by changes in the volume and mix of these assets as well as by fluctuations in interest rates and portfolio management strategies. When interest rates fall, the Company may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields. A summary of the interest rate gap position for financial instruments at 31 December 2013 is as follows:

In thousands of drams	31 December 2013 Carrying amount	Less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Non-interest bearing
Financial Assets							
Cash and cash equivalents	1,915	1,915	-	-	-	-	-
Financial assets at fair value through profit or loss	127,014	-	3,342	9,687	78,420	35,565	-
Due from banks	100,855	855	-	100,000	-	-	-
Other assets	66	-	-	-	-	-	66
Total financial assets	**229,850**	**2,770**	**3,342**	**109,687**	**78,420**	**35,565**	**66**
Financial liabilities							
Repurchase agreements	30,726	30,726	-	-	-	-	-
Other liabilities	57	-	-	-	-	-	57
Total financial liabilities	**30,783**	**30,726**	-	-	-	-	**57**

Net position	199,067	(27,956)	3,342	109,687	78,420	35,565	9

	31 December 2012						
In thousands of drams	**Carrying amount**	**Less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Non-interest bearing**
Financial Assets							
Cash and cash equivalents	530	530	-	-	-	530	-
Financial assets at fair value through profit or loss	95,765	-	5,808	28,691	61,266	95,765	-
Due from banks	101,049	1,049	-	100,000	-	101,049	-
Total financial assets	197,344	1,579	5,808	128,691	61,266	197,344	-
Net position	197,344	1,579	5,808	128,691	61,266	197,344	-

An analysis of sensitivity of profit or loss and net assets to changes in interest rates based on a simplified scenario of a 100 bp parallel fall or rise in all yield curves and positions of interest bearing assets and liabilities existing at 31 December 2013 is as follows:

In thousands of drams	**31 December 2013**		**31 December 2012**	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
Parallel increase of rates by 100 basis points	4,331	4,331	146	146
Parallel decrease of rates by 100 basis points	(4,331)	(4,331)	(146)	(146)

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

In % p.a.	**31 December 2013**		**31 December 2012**	
	AMD	**USD**	**AMD**	**USD**
Interest bearing assets	11.42%-14.90%	10.25%	12.78%	10.17%
Interest bearing liabilities	9.85%	-	-	-

Foreign Currency risk

Foreign currency risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the Company. The Company has no expose to currency risk.

b) Operational risk

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation. The primary responsibility for the development and implementation of controls over operational risk rests with the Executive body of the Company.

c) Capital risk management

The Company manages its capital to ensure it is able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The adequacy of the Company's capital is monitored using, among other measures, the ratios established by the Central Bank of Armenia. During the past year, the Company had complied with all its externally imposed capital requirements.

d) Non-financial risk management

Technology and operating risk

The Company face technology and operating risk which is the potential for loss due to deficiencies in control processes or technology systems of the Company, its vendors or its outsourced service providers that constrain the ability to gather, process, and communicate information and process ransactions efficiently and securely, without interruptions. This risk also includes the risk of human error, employee misconduct, external fraud, computer viruses, distributed denial of service attacks, terrorist attacks, and natural disaster. The Company's operations are highly dependent on the integrity of its technology systems and success depends, in part, on the ability to make timely enhancements and additions to its technology in anticipation of evolving client needs. To the extent the Company experiences system interruptions, errors or downtime, business and operations could be significantly negatively impacted. To minimize business interruptions, the Company maintains backup and recovery functions, including facilities for backup and communications, and conducts testing of disaster recovery plans.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. The Company maintains policies and procedures regarding the standard of care expected with data, whether the data is internal information, employee information, or non-public client information. The Company clearly defines for employees, contractors, and vendors the expected standards of care for confidential data. Regular training is provided in regard to data security.

Despite risk management efforts, it is not always possible to deter or prevent technological or operational failure, or fraud or other misconduct, and the precautions taken by the Company may not be effective in all cases. The Company may be subject to litigation, losses, and regulatory actions in such cases, and may be required to expend significant additional resources to remediate vulnerabilities or other exposures.

Regulatory risks

As a participant in the securities, asset management markets, the Company is subject to extensive regulation by governmental agencies and supervisory authorities. These regulatory agencies generally have broad discretion to prescribe greater limitations on the operations of a regulated entity for the protection of investors or public interest. As investment adviser the Company is also subject to regulatory requirements relating to fiduciary duties to clients, performance fees, maintaining an effective compliance program, solicitation arrangements, conflicts of interest, advertising, limitations on agency cross and principal transactions between the advisor and advisory clients, recordkeeping and reporting requirements, disclosure requirements and general anti-fraud provisions.

Management has invested heavily in compliance functions to monitor its compliance with the numerous legal and regulatory requirements applicable to its business. Despite efforts to comply with applicable regulations, there are a number of risks, particularly in areas where applicable regulations may be unclear or where regulators revise their previous guidance. Any enforcement actions or other proceedings brought by the regulators against the Company or its affiliates, officers or employees could result in fines, penalties, cease and desist orders, enforcement actions, suspension or expulsion, or other disciplinary sanctions, including limitations on business activities, any of which could harm the Company's reputation and adversely affect the results of operations and financial condition. The consequences of noncompliance can include substantial monetary and non-monetary sanctions.

5. Fund management activities

During the year end 31 December 2013 the Company's fund management activities included management of three funds launched during the course of 2013. The total revenue earned were AMD 422 thousand calculated based on the net assets values of the respective funds.

6. Interest income and interest expense

In thousands of dram	Year ended 31 December 2013	October 18, 2012 (date of inception) To December 31, 2012
Interest income:		
Financial instruments at fair value through profit or loss:	15,152	2,072
Due from banks	11,743	2,000
Total interest income	**26,895**	**4,072**
Interest expense:		
Repurchase agreements	**3,901**	-
Total interest expense	3,901	-

7. Net gain (loss) on financial instruments at fair value through profit or loss

Net gain (loss) on financial instruments at fair value through profit or loss comprises:

In thousands of dram	Year ended 31 December 2013	October 18, 2012 (date of inception) To December 31, 2012
Dealing, net	2,628	(580)
Change in fair value	20,447	363
Net gain (loss) on financial instruments at fair value through profit	23,075	(217)

8. Administrative expenses

In thousands of dram	Year ended 31 December 2013	October 18, 2012 (date of inception) To December 31, 2012
Employee compensation	27,072	3,850
Operating lease expenses	6,000	-
Depreciation and amortization	773	-
Professional services	4,530	1,341
Business trips	-	514
Communication	863	77
Utilities and office related	658	9
Taxes other than on income	2,224	462
Other	486	810
	42,606	7,063

9. Income tax expense (benefit)

In thousands of dram	Year ended 31 December 2013	October 18, 2012 (date of inception) To December 31, 2012
Current tax expense	-	-
Deferred tax	426	(642)
Total income tax expense (benefit)	**426**	**(642)**

The Company measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Armenia, which may differ from IFRS.

The Company is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2013 and 2012 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by entities in the Republic of Armenia on taxable profits (as defined) under tax law in that jurisdiction.

In thousands of drams	Year ended 31 December 2013		October 18, 2012 (date of inception) To December 31, 2012	
Profit (loss) before tax	2,128		(3,208)	
Tax at the statutory tax rate	425	20.00%	(642)	(20.00%)
Non deductible expenses	1	0.05%	-	-
Income tax expense (benefit)	**426**	**20.05%**	**(642)**	**(20.00%)**

Deferred tax calculation in respect of temporary differences as at 31 December 2013 and 2012 is as follows:

In thousands of drams	October 18, 2012 (date of inception) to December 31, 2012	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2012
Deferred tax assets				
Accrued expenses and other liabilities	-	143	-	143
Financial instruments at fair value through profit or loss	-	57	-	57
Tax losses carried forward	-	442	-	442
Total deferred tax asset	**-**	**642**	**-**	**642**

	December 31, 2012	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2013
Accrued expenses and other liabilities	143	402	-	545
Financial instruments at fair value through profit or loss	57	(57)	-	-
Tax losses carried forward	442	2,251	-	2,693
Total deferred tax asset	**642**	**2,596**	**-**	**3,238**
Deferred tax liabilities				
Financial instruments at fair value through profit or loss	-	(3,022)	-	**(3,022)**
Total deferred tax liability	**-**	**(3,022)**	**-**	**(3,022)**
Net deferred tax asset/(liability)	**642**	**(426)**	**-**	**216**

10. Cash and cash equivalents

In thousands of drams	31 December 2013	31 December 2012
Current accounts	1,915	530
Total cash and cash equivalents	**1,915**	**530**

11. Due from banks

Deposits with banks represent an Armenian dram denominated deposit placed with one local bank with a maturity of one year and bearing 12% interest and nominal amount of AMD 100,000 thousand.

12. Financial instruments at fair value through profit or loss

In thousands of dram	31 December 2013	31 December 2012
Debt Instruments		
Republic of Armenia Government and Agencies treasuries	118,207	95,765
Units held in funds	8,807	-
	127,014	**95,765**

Included in financial instruments at fair value through profit or loss are assets with a fair value of AMD 30,799 thousand that were pledged against repurchase agreements as at year end. The associated liabilities for repurchase agreements as at 31 December 2013 were AMD 30,726 thousand (2012: nil).

Investments in units of funds represent unitholdings in CAMavor 1, CAMavor 2 and CAM GSF under the Company's investment management. These units are carried at Company's share of the net asset value of the funds as at reporting date.

None of the financial assets are past due or impaired.

13. Property and equipment

In thousands of dram	Computer equipment	Leasehold improvements	Office equipment	Total
COST				
October 18, 2012	-	-	-	-
Additions	263	-	-	**263**
At December 31, 2012	263	-	-	263
Additions	4,844	4,954	906	**10,704**
At December 31, 2013	5,107	4,954	906	10,967
ACCUMULATED DEPRECIATION				
October 18, 2012	-	-	-	-
At December 31, 2012	-	-	-	-
Depreciation charge	501	165	86	**752**
At December 31, 2013	501	165	86	752
NET BOOK VALUE				
At December 31, 2013	4,606	4,789	820	10,215
At December 31, 2012	263	-	-	263
At October 18, 2012	-	-	-	-

14. Other assets

In thousands of dram	31 December 2013	31 December 2012
Prepayments	2,456	9,600
Other	161	-
	2,617	9,600

15. Share Capital

As of 31 December 2013 the Company's registered and paid-in share capital was AMD 210,000 thousand (2012: AMD 210,000 thousand) represented by 21,000 ordinary shares of AMD 10,000 each. In accordance with the statues, the authorized share capital consists of 30,000 ordinary shares of AMD 10,000 each. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share. As at reporting date 100% of the share capital was owned by Capital Investments cjsc. The Company is subject to minimum capital adequacy requirements, set at AMD 200,000 thousand as per effective regulatory legislation.

16. Other liabilities

In thousands of dram	31 December 2013	31 December 2012
Unused vacation reserve	1,725	315
Accrued expenses	1,000	400
Other	58	-
	2,783	715

17. Related parties transactions

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

As at 31 December 2013 the ultimate controlling party of the Company was Mr Tigran Karapetyan.

Related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	Shareholders and parent company	Key management personnel	Funds under management
		December 31, 2013	
`	-	-	422
Statement of profit or loss and other comprehensive income			
Management compensation, included in administrative expenses	-	12,120	-
Interest expense on repurchase agreements	(3,901)	-	-
Registrar services received	108	-	-
Statement of financial position			
Interest payable on repurchase agreements	98	-	-
Prepayment for payable for registrar services	36	-	-
		December 31, 2012	
Statement of profit or loss and other comprehensive income	-	2,152	-
Management compensation, included in administrative expenses			

18. Fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Because of the short term nature of most financial assets and financial liabilities, management believes that their carrying amounts approximate their fair values. For certain other financial assets and financial liabilities, fair values are determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability, however given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Financial assets/financial liabilities	Fair value as at 31 December 2013 In thousands of dram	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss:					
Republic of Armenia Government and Agencies debt securities	118,207	Level 2	Discounted cash flows based on contractual terms of debt securities and quoted in an active market government yield curve at the reporting date. Yield curves used ranged from 7.95% - 10.96%.	N/A	N/A
Units in Funds	8,807	Level 2	Net asset value of respective funds as published by the funds	N/A	N/A
	127,014	-	-	-	-

Management applies judgment in categorising financial instruments using the fair value hierarchy. The significance of a valuation input is assessed against the fair value measurement in its entirety. The table below summarizes the Company's financial assets and liabilities held at fair value by hierarchy as at 31 December 2013:

In thousands of dram		Level 1	31 December 2013 Level 2	Level 3	Total
Financial assets					
Financial assets at fair value through profit or loss	Debt securities and Units in funds	-	127,014	-	127,014
Total financial assets carried at fair value		-	**127,014**	-	**127,014**

In thousands of dram		31 December 2012 Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at fair value through profit or loss	Debt securities	-	95,765	-	95,765
Total financial assets carried at fair value		-	**95,765**	-	**95,765**

During the period ended 31 December 2013 and 2012 there were no transfers from level 1 to level 2 in either direction.