capital
asset
management

NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED JUNE 30, 2014

15 Khorenatsi Street, Office 5, Yerevan

YEREVAN 2014

NOTES TO INTERIM FINANCIAL STATEMENTS

1. Reporting Company

"Capital Asset Management" CJSC was founded on October 18, 2012 and was registered as an investment fund manager by the Central Bank of Armenia receiving license number 1.
The management body of "Capital Asset Management" CJSC consists of General Shareholders Meeting, the Board and the General Executive Director, Hayk Voskanyan.
The Company operations solely include activities permitted by the investment fund and pension fund management license provided by the Central Bank of Armenia.
Based on the license provided by the Central Bank of Armenia, the Company can also carry out securities portfolio management as defined in the RA law "On Securities Market" and additional services such as:

- Advisory services associated with securities investments managed by it as defined under the 3rd item of the 1st part of article 25 of RA law "On Securities Market" and
- Custody of fund units or shares.

Compensation amount of Company management is determined by the decision of the corresponding management body.

The Company has a Board, which carries out general management of the Company with the exception of issues that are reserved for the sole jurisdiction of General Assembly outlined by RA laws "On Investment Funds" and "On Joint-Stock Companies" and this charter.

The sole shareholder of the Company is "Capital Investments" Closed Joint-Stock Company, which is an investment company registered with CBA.

The company manages the following open-ended voluntary pension and investment funds:

- CAM Government Securities Fund
- CAMavor 1 Pension Fund
- CAMavor 2 Pension Fund

The audit fee for the year 2013 was AMD 2.4 mil.

The financial statements were authorized for issue on April 14, 2014.

2. Accounting policy and basis of preparation

2.1 Statement of compliance

The financial statements were prepared according to International Financial Reporting Standards (IFRS), corresponding normative legal acts (within IFRS framework) approved by CBA and the Company accounting

2.2 Basis of measurement

The financial statements are prepared on the historical cost basis with the exception of financial assets held for trading which are measured based on fair value

2.3 Functional and presentation currency

Armenian dram is the currency of the Republic of Armenia, which is the functional and presentation currency of the Company. The numbers in the financial statements are presented in thousands of AMD without the decimal place after the comma.

2.4 Taxes

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.

2.5 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.

2.6 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.

2.6 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.

(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.

(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.

(g) Fixed Assets

(a) Recognition and measurement

Fixed assets are measured at historical cost less accumulated depreciation and impairment losses. Historical cost includes direct attributable expenditures for asset purchase and replacement.

When items of a fixed asset have different useful lives, those are accounted for as separate items of a fixed asset (major components).

Profit or loss from the sale of a fixed asset component is determined as the difference between the sale proceeds and carrying value of sold asset, which is recognized on a net basis in the profit or loss, not in operating profit or loss.

(b) Future expenditures

Replacement costs of separate components of a fixed asset are recognized in the carrying value of the fixed asset, if it is probable that the value of future economic benefits of that component will flow to the Company and can be reliably measured. Daily service costs of fixed assets are recognized in the profit or loss when they occur.

(c) Depreciation

Depreciation is calculated toward the depreciated amount, which represents the historical cost of the asset or its replacement cost less residual value.

Depreciation is recognized in the profit or loss using straight line method during the estimated useful life of each component of a fixed asset as it reflects most accurately the expected consumption of future economic benefits of the asset.

Estimated useful lives are presented below for current periods:

Computer equipment	3-10 years
Office property	5-10 years
Improvements on a leased property	20 years

Calculation methods for depreciation, useful lives and residual values are reviewed at the end of each financial year and adjusted if necessary.

(h) Intangible assets

Intangible assets acquired by the Company are measured at historical cost less accumulated amortization and accumulated impairment losses.

Future expenditures are capitalized, when they increase future economic benefits of a specific asset to which they apply. All other future expenditures are recognized in the profit or loss during their expenditure.

Amortization is calculated as amortized amount, which represents the historical or the replacement cost of the asset less residual value.

Amortization is recognized in the profit or loss using straight line method for the estimated useful life of the intangible asset.

Estimated useful lives of intangible assets are presented below:

Registry software	5 years
Other intangible assets	5 years

Note 3. Interest income

Interest income	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Interest income from bank accounts and deposits	2,775	5,734	2,984	5,935
Interest income from securities	3,336	6,691	3,577	6,373
Total	**6,111**	**12,425**	**6,561**	**12,308**

Interest expenses	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Interest expenses from loans and borrowings	(-)	(-)	(-)	(-)
Interest expenses from repo transactions	(507)	(1,220)	(747)	(747)
Total	**(507)**	**(1,220)**	**(747)**	**(747)**

Net interest income	**5,604**	**11,205**	**5,814**	**11,561**

Note 4. Fee and commission income and expenses

Fee and commission income	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Fees from issue of shares	-	7,692	161	161
Transfer fees	5	5		
Investment fund management fee	685	1,245	16	16
Total	**690**	**8,942**	**177**	**177**

Fee and commission expenses	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Fees	(-)	(-)	(41)	(41)
Total	**(-)**	**(-)**	**(41)**	**(41)**

Net fee and commission income	**690**	**8,942**	**136**	**136**

Note 5. Dividend income

The Company did not receive any dividend income.

Note 6. Net gains on financial assets and liabilities held for trading

	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Net income from financial assets held for trading at fair value through profit or loss	56	56	28	45
Net income from revaluation of financial assets held for trading measured at fair value through profit or loss	1,020	(457)	7,327	6,231
Total	**1,076**	**(401)**	**7,355**	**6,276**

Foreign currency operations	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Net income from foreign currency trading	-	-	-	-
Net income from revaluation of foreign currency	-	-	-	-
Total	-	-	-	-
Total net income from trading operations	**1,076**	**(401)**	**7,355**	**6,276**

Note 7. Other operating income

The Company does not have any other operating income.

Note 8. Net deductions for asset loss reserves

The Company did not make any deductions for asset loss reserves in the reporting and previous periods.

Note 9. Total administrative costs

Total administrative costs	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Salary paid and other related payments	(6,873)	(14,833)	(6,887)	(12,110)
Costs related to business trips and trainings	(54)	(54)	(-)	(-)
Rent of property and equipment	(2,508)	(4,508)	(2,000)	(2,000)
Professional services	(1,750)	(2,500)	(850)	(2,030)
Advertisement costs	(1,333)	(2,095)	(-)	(-)
IT related costs	(227)	(457)	(276)	(408)
Office supplies	(564)	(803)	(183)	(241)
Non-refundable taxes and dues	(1,437)	(2,239)	(691)	(1,014)
Other	(52)	(104)	(81)	(123)
Total	**(14,798)**	**(27,593)**	**(10,968)**	**(17,926)**

There were 7 employees in the 2nd quarter of 2014 and the average salary of one employee was 350,000 drams.

Note 10. Other operating expenses

Other operating expenses	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Fixed asset depreciation costs	(301)	(588)	(173)	(186)
Intangible asset amortization costs	(87)	(171)	-	-
Other costs	-	(3)	-	-
Total	**(388)**	**(762)**	**(173)**	**(186)**

Note 11. Gains (losses) from investment in statutory capital of other entities

The Company did not have gains (losses) from investment in statutory capital of other entities.

Note 12. Profit tax expense

Profit tax expense	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Current tax expense	-	-	-	-
Deferred tax expense	(1,616)	(1,785)	388	(72)
Total	**(1,616)**	**(1,785)**	**388**	**(72)**

Interrelation between profit tax expense and accounting profit:

	2014 January-June	Effective rate (%)	2013 January-June	Effective rate (%)
Profit (loss) before taxes	(8,609)	-	(139)	-
Profit tax	(1,722)	20.00	(28)	20.00
Non-taxable income	(64)	(0.74)	(44)	31.65
Non-deductible expenses	1	(0.01)	-	-
Profit tax expense	(1,785)	20.7	(72)	56.65

Calculation of deferred tax:

	Balance as of 31.12.13	Recognized in profit or loss of 2014	Balance as of 30.06.14
Deferred tax assets, including:	545	(196)	349
Other assets	-	-	-
Reserves	545	(196)	349
Financial instruments at fair value through profit or loss	-	-	-
Deferred tax liabilities, including:	(3,022)	214	(2,808)
Financial instruments at fair value through profit or loss	(3,022)	214	(2,808)
Other liabilities	-	-	-
Other assets	-	-	-
Net deferred tax asset/liability	(2,477)	18	(2,459)
Tax loss transferred to the next period	2,693	1,767	4,460
Total for net deferred tax asset (liability) movement	216	1,785	2,001

Note 13. Basic earnings per share

Note 13 reveals calculation method for earnings per share (the amounts used in the numerator and denominator).

Basic earnings per share	01.04.14-30.06.14	01.01.14-30.06.14	01.04.13-30.06.13	01.01.13-30.06.13
Net after tax profit (loss) in the reporting period	(6,200)	(6,824)	1,776	(67)
Preferred share dividends in the reporting period	-	-	-	-
Net profit (loss) in the reporting period attributable to ordinary shareholders	(6,200)	(6,824)	1,776	(67)
Average outstanding ordinary shares in the reporting period	21,000	21,000	21,000	21,000
Basic earnings per share	(0.295)	(0.325)	0,085	(0,003)
Diluted earnings per share	(0.295)	(0.325)	0,085	(0,003)

Note 14. Cash and cash balances at RA Central Bank

14.1. Cash, cash equivalents and balances at RA Central Bank

Cash, cash equivalents and balances at RA Central Bank	As of 30.06.14	As of 31.12.13
Cash and cash balances at RA Central Bank	-	-

14.2. Cash and cash equivalents

	As of 30.06.14	As of 31.12.13
Cash at RA Central Bank	-	-
Total	-	-

Note 15. Claims against banks and other financial institutions

Current accounts	As of 30.06.14	As of 31.12.13
Current accounts in RA banks	1,432	1,915
Total	**1,432**	**1,915**
Loans (extended credits), deposits and other claims	70,000	100,000
Accrued interest	605	855
Total	**72,037**	**102,770**
Loss reserves for claims of banks and other financial institutions (Note 8)	(-)	(-)
Net claims against banks and other financial institutions	**72,037**	**102,770**

The Company did not have any cash denominated in foreign currency. The cash balance was 1,432 thousand drams at the end of 30.06.14 and does not have any restrictions on its use. The company has invested AMD 70 mln. in a time deposit at an RA bank which matures in November, 2014.

Note 16. Claims against customers

The Company did not have any claims against customers at the end of the reporting period.

The Company did not have overdue, impaired and problem loans and extended credits at the end of the reporting and previous periods.

The Company also did not receive any financing provided by international financial institutions.

Note 17. Financial assets at fair value through profit or loss

Government securities	As of 30.06.14	As of 31.12.13
Government securities	111,930	118,207
Treasury bonds	111,930	118,207
Total government securities	111,930	118,207
Including sold to RA banks through repo contracts	-	30,799
RA non-government securities	**As of 30.06.14**	**As of 31.12.13**
	Not listed	*listed*
BBB+/Baa1/ and lower credit rating, other credit rating and without a credit rating	9,120	8,807
Long-term fixed income instruments	-	-
Equity instruments	-	-
Other (shares)	9,120	8,807
Total RA non-government securities	9,120	8,807
Other financial assets at fair value through profit or loss Forward contracts	-	-
FX swaps	-	-
Total	-	-
Total financial assets at fair value through profit or loss	121,050	127,014

Note 18. Available-for-sale financial assets

The Company does not have available-for-sale financial assets.

Note 19. Held-to-maturity investments

The company does not have any investments in statutory capital of other entities.

Note 20. Investments in statutory capital of other entities

The Company does not have investments in statutory capital of other entities.

Note 21. Fixed assets and intangible assets

Fixed assets

Beginning balance	IT and communications equipment	Office property and equipment	Imporvements on a leased property	Total
Beginning balance				
Balance as of 31.12.12	263	-	-	263
Increase	4,844	906	4,954	10,704
Balance as of 31.12.13	5,107	906	4,954	10,967
Increase	75	35	-	110

Balance as of 31.03.14	5,182	941	4,954	11,077
Accumulated depreciation				
Balance as of 31.12.12	-	-	-	-
Increase	501	86	165	752
Balance as of 31.12.13	-	-	-	-
Increase	501	86	165	752
Balance as of 31.12.13	501	86	165	752
Increase	183	42	62	287
Balance as of 31.03.14	684	128	227	1,039
Net balance				
As of 31.03.14	4,498	813	4,727	10,038
As of 31.12.13	4,606	820	4,789	10,215

Intangible assets

	Computer software	Other intangible assets	Capital investments in intangible	Total
Beginning balance				
Balance as of 31.12.12	-	-	300	300
Increase	830	850	1,380	3,060
Transfer of intangible assets available for use	-	-	(1,680)	(1,680)
Balance as of 31.12.13	830	850	-	1,680
Increase	74	-	-	74
Balance as of 31.06.14	904	850	-	1,754
Accumulated depreciation				
Balance as of 31.12.12	-	-	-	-
Increase	10	11	-	21
Balance as of 31.12.12	10	11	-	21
Increase	86	85	-	171
Balance as of 30.06.14	96	96	-	192
Net balance				
As of 30.06.14	808	754	-	1,562
As of 31.12.13	820	839	-	1,659

Note 22. Deferred tax assets

See note 12.

Note 23. Other assets

Receivables and advance payments	As of 30.06.14	As of 31.12.13
Receivables related to budget (advance payment of profit tax)	20	20
Fund management fee	145	66
Advance property lease payment	1,003	2,436
Other	46	95
Total	**1,214**	**2,617**

Note 24. Liabilities toward banks and other financial institutions

Received credit and deposits, other	As of 30.06.14	As of 31.12.13
RA banks		
Repo contracts	-	30,628
Accrued interest	-	98
Total	**-**	**30,726**

Note 25. Liabilities toward customers

The company did not have any liabilities toward customers as of the end of the reporting period.

Note 26. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss	As of 30.06.14	As of 31.12.13
Derivative instruments at fair value through profit or loss:		
Forward contracts	-	-
Total	-	-

Note 27. Securities issued by the firm

The Company does not have issued securities.

Note 28. Deferred tax liabilities

See note 12.

Note 29. Reserves

Reserves	As of 30.06.14	As of 31.12.13
Beginning balance	**2,725**	**715**
Reserve deductions	2,244	3,054
Reserve useage	(3,222)	(1,044)
Net reserve deductions	(978)	2,010
Ending balance	**1,747**	**2,725**
Reserve for vacation leave	1,747	1,725
Reserve for audit	-	1,000

The Company has a legal obligation for both reserves. As a result cash outflows are expected throughout the year and during the audit. Taking into account the short-term nature of these reserves, the amount was determined without discounting.

The Company does not have any other legal or structural reserve requirments. There are not any legal claims against the Company. The Company has fulfilled its tax obligations and an additional reserve requirement for tax liabilities is not necessary.

Note 30. Other liabilities

Other liabilities	As of 31.03.14	As of 31.12.13
Payables:		
Profit tax	-	-
Value added tax	1	-
Income tax	543	-
Employee compensation	-	-
Employee mandatory pension contributions	9	-
Employee voluntary pension contributions	99	
Liabilities toward suppliers	1,303	58
Total	**1,955**	**58**

Note 31. Statutory capital

The statutory capital of the Company is 210,000 thousand AMD, which is comprised of 21,000 (twenty one thousand) ordinary nominal shares with the nominal value of 10,000 (ten thousand) AMD each. The Company shares are paid in full.

The number of announced shares of the Company are 30,000 (thirty thousand) each.

Shareholder name, last name	Participation amount	Percent participation
“Capital Investments” CJSC	210,000	100.00%

Note 32. Other capital items

There are no other capital items.

Note 33. Transactions with affiliated parties

The following transactions were done with the parent company in the reporting period:

(i) Expenses

	Transaction amount	Outstanding balance
thousand drams	Reporting quarter	
Bonds purchased	-	-
Accrued interest due to reverse repo contracts	507	-
Recordkeeping service	30	24
	537	**24**

(ii) Income

	Transaction amount	Outstanding balance
thousand drams	**Reporting quarter**	
Bonds sold	-	-
Other Income	5	-
	5	-

All transactions with affiliated parties were done under market conditions.

Note 34. Capital and capital adequacy

	30.06.14	31.12.13
Statutory capital	210,000	210,000
General reserve	100	-
Retained earnings for current period	(6,824)	3,548
Retained earnings for previous period	882	(2,566)
Total	**204,158**	**210,982**

Note 35. Fair value of financial assets and liabilities

The Company determines fair value of financial instruments based on market quotes. Fair values are used for financial instruments held for trading at fair value through profit or loss with the exception of loans and borrowings, which are accounted at amortized cost. Fair value of those is estimated close to carrying value.

Note 36. Hedging of expected future transactions

There were no future expected transactions as of 30.06.14.

Note 37. Operating leases

The Company carries out its activities in the premises rented under an operating lease. As of June 30, 2014 one-year non-cancelable operating lease is 3,010 thousand AMD and the expense amount recognized in the second quarter of 2014 is 3,010 (including VAT) thousand AMD.

Note 38. Derecognition

As of the end of the reporting period there were no cases when derecognition requirements of a transferred asset were fully or partially not met.

Note 39. Pledged assets

As of 30.06.14 the Company does not have any pledged assets.

Note 40. Accepted collateral

As of 30.06.14 the Company does not have any assets secured by collateral.

Note 41. Non-performance/violations of obligations

As of 30.06.14 there were no violations of contractual obligations by the Company.

The key staff of the Company has received the following compensation, which is included under employee compensation expense:

Thousand dram		01.01.14-30.06.14	01.01.13-30.06.13
Salary and bonus		6,060	6,060
		6,060	**6,060**

“Capital Asset Management” CJSC Management Announcement

We are responsible for preparation and approval of financial statements that accurately reflect the financial condition of the Company.

Hence, Company management is responsible for:

- selection of accounting policy, its approval and application,
- making substantiated estimates and calculations,
- maintaining requirements for international financial reporting standards, and revealing in the notes to financial statements any deviations from international financial reporting standards,
- accurate maintenance of accounting records,
- preparation of financial reports based on continuity of Company activities,
- employing an accounting system concerning financial situation and corresponding to the Republic of Armenia legislation and international financial reporting standards, that operates in a timely manner and with sufficient accuracy in providing information,
- undertaking necessary means for protection of assets in the Company, prevention and uncovering of inaccuracies and fraudulent activities.

We also assure, that the financial statements of the Company correspond to international financial reporting standards and other accounting regulation acts.

Chief Executive Officer	**Hayk Voskanyan**
Head Accountant	**Karen Khachatryan** **“AN Audit” CJSC**
10.07.2014	**Prepared by authorized representative**