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Capital Asset Management cjsc

2015 Annual Report

Yerevan-2016

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 2015 report. This report is intended to provide you with financial information regarding the Company and the Funds we manage, as well as financial information for the reporting period.

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 are striving to offer investors a strong alternative to bank deposits and other traditional investment instruments.

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, as a result of legislative amendments in 2014 and lack of interest among employers and sponsored retirement plans for making contributions in pension funds, 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 and significant downturn in the Armenian financial market at the last quarter of 2014, which continued to have its negative impact in the year 2015 as well, CAMAVOR 1 and CAMAVOR 2 have delivered returns in 2015. For CAMAOR 1 and CAMAVOR 2 the returns for the period were 6.57% and 4.96% respectively.

Sharp upward movement of interest rates in the State Government Bonds market since November 2014, which persisted in the year 2015 as well, negatively impacted the CAM Government Securities Investment Fund returns, thus preventing the Fund to achieve its desired level of profitability. Despite that, we have been able to take the right course of action and earn returns on A, B, C classes of shares at 8.83%, 8.18% and 7.25%, respectively, during the year 2015.

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.

Sincerely,

Alik Arakelyan
Chief Executive Officer

The voluntary pension and investment funds of CAPITAL ASSET MANAGEMENT CJSC

As of the reporting period to December 31, 2015, 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 first half of 2015 was marked with high level of interest rates in the RA securities market that were observed at the end of 2014, which was followed by sharper growth in early February 2015. In the first half of 2015 interest rate downturn halted, though insignificantly. In the second half of 2015, under the RA Central bank monetary policy repo and lombard loan rates still sustained higher positions.

As an example to illustrate the RA securities market we may consider the GMI Government bonds index which at December 2015 increased by only 7.54%.

The continued high level of interest rates on Government bonds impacted other classes of assets as well, in particular – corporate securities. Certain growth of interest rates was marked in corporate securities market, which was less remarkable in case with USD-denominated bonds.

As far as the AMD/USD currency rate is concerned, the regional developments coupled with Russian financial market decline led to 15% AMD devaluation at the end of 2014 which throughout the entire year 2015 negatively impacted both the RA securities market and the funds under the Company's management.

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 equity securities up to 30% of fund assets. Fund investments may also include bank deposits up to 50% of the Fund assets, investment fund units up to 50% of 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 50% of the Fund assets, equity securities up to 30% of the Fund assets, investment fund units up to 50% 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 and CAMavor 2

In view of long term investment perspective of the funds, investment decisions are based on buy-and-hold principle. Therefore, during 2015 the Funds' investment policies were based on increased diversification, thus by the end of the year the number of securities increased in both funds. Diversification was applied both towards the class of securities (Government, corporate bonds) and the exchange rate.

Foreign currency-denominated securities held within the Funds made it possible to mitigate the negative impact of sharp fluctuations in government bond prices on the Funds' returns.

Investment Performance

Total returns for 2015:

	ONE YEAR	SINCE INCEPTION
CAMavor 1 PENSION FUND	6.57%	28.16%
CAMavor 2 PENSION FUND	4.96%	31.30%

The date of inception for the above funds was April 13, 2013. 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.

Investment Fund

Investment Objectives

CAM Government Securities Investment Fund — The Fund aims to provide regular income and stable growth. At the end of 2015 the Fund Rules were revised thus enabling to invest in Government bonds or bonds issued and fully guaranteed by the RA Central bank, as well as AMD and USD-denominated securities that are secured by guarantees or warranties of the Governments, Central Banks or other State agencies of foreign states, which have Standard and Poor's BBB group's BBB rating, Moody's Baa group's Baa3 rating or Fitch's BBB group's BBB or higher rating. 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

Due to high level of interest rates as well as their sharp increase during the first and second months of 2015, the Fund adhered to more conservative policy by shifting to more short-term bonds. However, to increase overall rate of return, as well as to secure the investors to some extent from foreign exchange fluctuations, starting from the second half of the year CAM GSF started entering into repo agreements and closer to the end of the year, having reviewed its Fund's rules, started investing in USD-denominated bonds as well.

Investment Performance

Total returns for 2015

	ONE YEAR	SINCE INCEPTION
Class A	8.83%	51.92%
Class B	8.18%	49.59%
Class C	7.25%	46.64%
GMI index for Government bonds	7.54%	-

The date of inception for CAM Government Securities Investment Fund was April 13, 2013. According to the Fund rules, the Manager in year 1 since the Fund's inception is 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 GMI index published by the Central Bank of Armenia is taken as a benchmark. The benchmark does not constitute an assurance of corresponding investment or expected or promised rate of return. The participant is not entitled to claim damage refund from the Manager or impose any liability measures against the Manager, based on the relevant benchmark. It comprises a unity of certain comparable indicators which per its investment characteristics (risk, maturity, liquidity etc.) is the optimal match for the particular Fund unit's investment characteristics.

Past performance does not guarantee future results.

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.

Note to the financial information presented below

The financial information presented below are derived from the complete audited financial statements of CAMavor 1 Pension Fund, CAMavor 2 Pension Fund and CAM GSF for the year ended December 31, 2015.

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.

CAMavor 1 PENSION FUND

FINANCIAL INFORMATION (see accompanying note above)

SUMMARY STATEMENT OF FINANCIAL POSITION

in '000 AMD	December 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	410	1,364
Financial assets at fair value through profit or loss	12,745	9,428
Total assets	**13,155**	**10,792**
Liabilities		
Other payables	38	16
Total liabilities (excluding net assets attributable to unitholders)	**38**	**16**
Net assets attributable to unitholders equivalent to 1,282 dram per unit based on 10,235 units outstanding (December 31, 2014: 1,203 dram per unit based on 8,961 units)	**13,117**	**10,776**

SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in '000 AMD	2015	2014
Interest income	1,229	753
Net (loss)/ gain from financial instruments at fair value through profit or loss	(206)	(211)
Total operating income	**1,023**	**542**
Investment management fees	(213)	(150)
Custodian fees	(18)	(12)
Commissions	(12)	(7)
Total operating expenses	**(243)**	**(169)**
Operating profit	**780**	**373**
Profit for the period	**780**	**373**
Increase in net assets attributable to unitholders	**780**	**373**

SUMMARY STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

in '000 AMD	Net assets attributable to unitholders
Balance as at December 31, 2013	**4,156**
Subscriptions of units	6,247
Increase in net assets attributable to unitholders for the period	373
Balance as at December 31, 2014	**10,776**
Subscriptions of units	1,655
Redemptions of units	(94)
Net increase from unit transactions	**1,561**
Increase in net assets attributable to unitholders for the year	780
Balance as at December 31, 2015	**13,117**

CAMavor 2 PENSION FUND

FINANCIAL INFORMATION (see accompanying note above)

SUMMARY STATEMENT OF FINANCIAL POSITION

in '000 AMD	December 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	1,383	1,226
Financial assets at fair value through profit or loss	40,785	4,534
Total assets	**42,168**	**5,760**
Liabilities		
Other payables	96	8
Total liabilities (excluding net assets attributable to unitholders)	96	8
Net assets attributable to unitholders equivalent to 1,313 dram per unit based on 32,043 units outstanding (December 31, 2014: 1,251 dram per unit based on 4,598 units)	42,072	5,752

SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in '000 AMD	2015	2014
Interest income	1,264	381
Net (loss)/ gain from financial instruments at fair value through profit or loss	(102)	(130)
Total operating income	**1,162**	**251**
Investment management fees	(264)	(87)
Custodian fees	(20)	(7)
Commission expense	(25)	(6)
Total operating expenses	**(309)**	**(100)**
Operating profit	**853**	**151**
Profit for the period	**853**	**151**
Increase in net assets attributable to unitholders	**853**	**151**

SUMMARY STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

'000 AMD	Net assets attributable to unitholders
Balance as at December 31, 2013	**2,687**
Subscriptions of units	2,914
Increase in net assets attributable to unitholders for the period	151
Balance as at December 31, 2014	**5,752**
Subscriptions of units	35,532
Redemption of units	(65)
Net increase from unit transactions	**35,467**
Increase in net assets attributable to unitholders for the year	853
Balance as at December 31, 2015	**42,072**

CAM Government Securities Investment Fund

FINANCIAL INFORMATION (see accompanying note above)

SUMMARY STATEMENT OF FINANCIAL POSITION

in '000 AMD	December 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	2,163	499
Financial assets at fair value through profit or loss		
- Held by the Company	479,679	395,897
- Pledged under repurchase agreements	444,580	-
Other receivables	-	45,256
Total assets	926,422	441,652
Liabilities		
Income tax payable	47	35
Repurchase agreements	432,833	-
Other payables	528	384
Total liabilities (excluding net assets attributable to unitholders)	433,408	419
Net assets attributable to unitholders equivalent to 1,519, 1,496 and 1,466 dram for 226,714 Class A, 5,296 Class B and 95,929 Class C units outstanding, respectively (December 31, 2014: 1,396, 1,383 and 1,367 dram based on 224,763 Class A, 5,296 Class B and 87,882 Class C units, respectively)	493,014	441,233

SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in '000 AMD	2015	2014
Interest income	54,859	37,149
Finance costs	(2,634)	(1,775)
Net (loss)/ gain from financial instruments at fair value through profit or loss	(7,720)	(12,794)
Total operating income	44,505	22,580
Other income	-	3
Investment management fees	(3,995)	(3,583)
Custodian fees	(708)	(523)
Commission fees	(442)	(98)
Total operating expenses	(5,145)	(4,201)
Net income before income tax expense	39,360	18,379
Income tax expense	(47)	(35)
Profit for the period	39,313	18,344
Increase in net assets attributable to unitholders	39,313	18,344

SUMMARY STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

in '000 AMD	Net assets attributable to unitholders
Balance as at December 31, 2013	76,650
Subscription of units	494,030
Redemption of units	(147,791)
Net increase from unit transactions	346,239
Increase in net assets attributable to unitholders for the period	18,344
Balance as at December 31, 2014	441,233
Issuance and redemptions by unitholders:	
Subscription of units	82,669
Redemption of units	(70,201)
Net increase from unit transactions	12,468
Increase in net assets attributable to unitholders for the year	39,313
Balance as at December 31, 2015	493,014

Contents

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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 December 31, 2015, 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 December 31, 2015 were approved by management on April 29, 2016:

On behalf of the Management:

Alik Arakelyan
Chief Executive Officer

Karen Khachatryan,
Chief Accountant,
"AN Audit" CJSC authorized representative

Capital Asset Management cjsc
April 29, 2016

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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, 2015, 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, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, during the reporting period the Company was not generating sufficient cash flows to meet its obligations and sustain its operations, which raises substantial doubt about its ability to continue as a going concern. As also discussed in Note 1 to the financial statements, the Company's going concern is subject to parent entity's continuing financial support, Company's ability to achieve a level of revenues adequate to support the Company's

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cost structure and meeting minimum capital adequacy requirements. Management's plans in regard to these matters are also discussed in Note 1 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not qualified in respect of this matter.

Srbuhi Hakobyan
Executive Director
Deloitte Armenia cjsc

Arpine Ghevondyan
Audit Director

Yerevan, Republic of Armenia
April 29, 2016

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

in '000 AMD	Note	December 31, 2015	December 31, 2014
Assets			
Cash and cash equivalents	12	286	3,485
Financial assets at fair value through profit or loss	13	198,928	46,857
Receivable from sale of financial assets at fair value through profit or loss		-	147,969
Property and equipment	14	8,187	9,393
Intangible assets		1,036	1,386
Deferred tax assets	11	2,153	612
Other assets	15	3,252	2,793
Total assets		**213,842**	**212,495**
Equity and liabilities			
Capital and reserves			
Share capital	16	207,900	210,000
Retained earnings		324	(1,571)
Total equity		**208,224**	**208,429**
Liabilities			
Payables and accrued expenses	17	5,618	4,066
Total liabilities		**5,618**	**4,066**
Total equity and liabilities		**213,842**	**212,495**

The financial statements were authorized for issue on April 29, 2016 by the Management:

Alik Arakelyan
Chief Executive Officer

Karen Khachatryan
Chief Accountant,
"AN Audit" CJSC authorized representative

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

in '000 AMD	Note	December 31, 2015	December 31, 2014
Fund management activities			
Revenue	6	4,471	3,820
Financial income			
Interest income	7	8,708	22,195
Interest expense	7	-	(1,220)
Net gain on financial assets at fair value through profit or loss	8	11,592	10,445
Commission income	9	117	11,972
Commission expense		(119)	(117)
Other operating income		54	213
Net financial income		**24,823**	**47,308**
Administrative expenses	10	(36,981)	(50,257)
Loss before tax		**(12,158)**	**(2,949)**
Income tax benefit	11	1,541	396
Total loss and comprehensive loss for the year		**(10,617)**	**(2,553)**

The financial statements were authorized for issue on April 29, 2016 by the Management:

Alik Arakelyan
Chief Executive Officer

Karen Khachatryan
“Chief Accountant,
“AN Audit” CJSC authorized representative

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

in '000 AMD	Note	Share capital	Additional paid-in capital	Retained earnings	Total
Balance at January 1, 2014		**210,000**	**-**	**982**	**210,982**
Total loss and comprehensive loss for the year		-	-	(2,553)	(2,553)
Balance at December 31, 2014		**210,000**	**-**	**(1,571)**	**208,429**
Total loss and comprehensive loss for the year			-	(10,617)	(10,617)
Additional paid-in capital	16	-	10,412	-	10,412
Additional paid-in capital transferred to retained earnings	16		(10,412)	10,412	-
Reduction of share capital	16	(2,100)	-	2,100	-
Balance at December 31, 2015		**207,900**	**-**	**324**	**208,224**

The financial statements were authorized for issue on April 29, 2016 by the Management:

Alik Arakelyan
Chief Executive Officer

Karen Khachatryan
"Chief Accountant,
"AN Audit" CJSC authorized representative

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

in '000 AMD	Note	December 31, 2015	December 31, 2014
Cash flows from operating activities			
Fund management fees received		4,280	3,652
Interest received		8,839	8,259
Interest paid		-	(1,318)
Commission fees paid		(110)	(21)
Commission fees received		178	11,972
Purchase of financial assets at fair value through profit or loss		(59,407)	(124,354)
Proceeds from sale and redemption of financial assets at fair value through profit or loss		7,843	82,032
Proceeds from receivable from sale of financial assets at fair value through profit or loss		69,334	-
Payments under repurchase agreements		-	(30,688)
Salaries and related expenses paid		(15,664)	(25,710)
Prepayments, operating and administrative expenses paid		(18,492)	(21,811)
Net cash used in operating activities		**(3,199)**	**(97,987)**
Cash flows from investing activities			
Deposits with banks redeemed		-	100,000
Purchase of property and equipment		-	(369)
Purchase of intangibles		-	(74)
Net cash from investing activities		**-**	**99,557**
Net (decrease)/ increase in cash and cash equivalents		**(3,199)**	**1,570**
Cash and cash equivalents at beginning of the year		3,485	1,915
Effect of exchange rate fluctuations on cash and cash equivalents		-	-
Cash and cash equivalents at end of the year	12	**286**	**3,485**

The financial statements were authorized for issue on April 29, 2016 by the Management:

Alik Arakelyan
Chief Executive Officer

Karen Khachatryan
"Chief Accountant,
"AN Audit" CJSC authorized representative

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

1. Reporting entity

Capital Asset Management CJSC (the Company) is the first registered fund manager in the Republic of Armenia (RA) for investment and pension funds. The Company was founded on October 18, 2012 and registered with Central Bank of Armenia (CBA) 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

Number of employees as at December 31, 2015 was 5 (December 31, 2014: 6).

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 RA. 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. 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.

Going concern

These financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company was created in 2012 and its main purpose is the management of funds under its management. The pension and investment funds industry 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, as a result of legislative amendments in 2014 and lack of interest among employers and sponsored retirement plans for making contributions in pension funds under Company's operations, the Company has not yet been able to raise intended levels of assets in the funds under its management. Naturally this affected the level of cash inflows to the funds and also to the Company in respect of its revenues. This, together with the requirement to meet minimum capital adequacy levels for the Company, led to Company generating losses and currently depending on its parent's financial support. Despite the lower levels of assets under management and significant downturn in the Armenian financial market at the last quarter of 2014, which persisted throughout the year 2015 as well, the funds are showing increasing trend in their total assets and net asset values and have generated returns in 2015. Management is introducing new communication and educational programs to raise awareness among stakeholders and increase the size of the funds under its management. The shareholders of the Company on their part have their continued commitment to the

Company and endeavor to further support to the revenues of the Company by considering introduction of complementary products and services in the area of fund management, and providing financial support if required. As a result, management has stated that going concern basis is appropriate for the preparation of these financial statements.

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

These financial statements have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future.

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 6.

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 RA 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. 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.

e. 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 recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments 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 judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized 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 19.

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 on the dates of the transactions. In the absence of exchange closing rates, average daily exchange rate published by CBA 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 recognized 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 recognized in profit or loss, using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on 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 debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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 recognized in profit or loss as interest income and interest expense, respectively.

c. Asset management activities and commission income

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 recognized 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 recognized in profit or loss as related services are performed.

f. The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

g. Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

h. Taxation

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 recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized 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 realized, 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 recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized 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.

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 Company 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 recognized 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 19).

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 amortized 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.

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 amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Securities repurchase and reverse repurchase agreements. In the normal course of business, the Company enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos"). Repos and reverse repos are utilized by the Company as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the financial statements and consideration received under these agreements is recorded as collateralized deposit received within depositary instruments with banks.

The Company enters into securities repurchase agreements under which it receives or transfers collateral in accordance with normal market practice. The transfer of securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

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 Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset other than in its entirety (e.g. when the Company 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 recognizes 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 recognized and the sum of the consideration received for the part no longer recognized is recognized in profit or loss. A cumulative gain or loss that had been recognized is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments issued

Classification as debt or equity: Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments: An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

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 Company 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 Company'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 recognized in profit or loss. The net gain or loss recognized 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 amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized 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 derecognizes 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.

4. 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. The new and revised Standards and Interpretations have not had a significant impact on the amounts and disclosures presented in these financial statements. The Company did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

- Annual Improvements to IFRSs 2010-2012 Cycle;
- Annual Improvements to IFRSs 2011-2013 Cycle;

Annual Improvements to IFRSs 2010-2012 Cycle: The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 change the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to IFRS 8 require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. These amendments are considered to be effective immediately.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

Annual Improvements to IFRSs 2011-2013 Cycle: The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

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	Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
• IFRS 15 Revenue from Contracts with Customers	Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
• IFRS 16 Leases	Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15 Revenue from Contracts with Customers has also been applied.
• Amendments to IAS 1 – Disclosure Initiative	Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
• Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation • Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception • Annual Improvements to IFRSs 2012-2014 Cycle	Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IFRS 9 Financial Instruments: IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics.

Specifically, debt instruments that are held within the 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 after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. 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.

- **Classification and measurement of financial liabilities.** Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. 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 OCI 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.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Company anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers: In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. Furthermore, extensive disclosures are required by IFRS 15

The management of the Company anticipates that the application of IFRS 15 in the future may have an impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 16 Leases

IFRS 16 Leases brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.

Under IFRS 16 a lessee recognises a right-of-use asset and the lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or if that cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with IAS 17, lessors classify leases as operating of finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The management does not anticipate that the application of IFRS 16 in the future may have a significant impact on amounts reported in respect of the Bank's financial assets and financial liabilities.

Amendments to IAS 1- Disclosure Initiative: The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2016. The management does not anticipate that the amendments to IAS 1 will have a material impact on the financial statements.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation: The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a. when the intangible asset is expressed as a measure of revenue; or
b. when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Company uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively.

The management of the Company believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Company's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception. The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The management of the Company does not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Company's financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle: The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 clarify that reclassification of an asset or a disposal group from held for sale to held to distribution to owners or vice versa should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied. In addition, amendments clarify that assets that no longer meet the criteria for held for distribution to owners and do not meet the criteria for held for sale should be treated in the same way as assets that cease to be classified as held for sale. The amendments should be applied prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. In addition, amendments to IFRS 7 were made to clarify that the disclosure requirements on offsetting financial assets and financial liabilities are not explicitly required to be included in the condensed interim financial statements for all interim periods, however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34. The amendments should be applied retrospectively.

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied.

The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The management of the Company does not anticipate that the application of these amendments will have a significant effect on the financial statements.

5. 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 does not have an internal credit rating system and manages the credit risk by regularly reviewing asset quality, defining and amending where necessary the risk appetite by using, among other things, policies on limits, specific approvals for large transactions.

As at December 31, 2015 and 2014 credit risk exposure of financial assets is presented in the table below:

in '000 AMD	December 31, 2015	December 31, 2014	Country	Credit rating
Cash and cash equivalents	286	3,485	Armenia	Unrated
Financial assets at fair value through profit or loss	198,928	46,857	Armenia	Unrated
Receivable from sale of financial assets at fair value through profit or loss	-	147,969	Armenia	Unrated
Other financial assets	441	234	Armenia	Unrated
	199,655	198,545		

As at December 31, 2015 and 2014 all the financial assets and liabilities are with counterparties within RA and none of the financial assets are past due or impaired.

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 December 31, 2015 and 2014, 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.

in '000 AMD	December 31, 2015					
	Carrying amount	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	No Maturity
Financial assets						
Cash and cash equivalents	286	286	-	-	-	-
Financial assets at fair value through profit or loss	198,928	-	-	-	-	198,928
Other financial assets	441	441	-	-	-	-
Total financial assets	**199,655**	**727**	-	-	-	**198,928**
Financial liabilities						
Other financial liabilities	4,479	4,479	-	-	-	-
Total financial liabilities	**4,479**	**4,479**	-	-	-	-
Net position	**195,176**	**(3,752)**	-	-	-	**198,928**

in '000 AMD	December 31, 2014					
	Carrying amount	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	No Maturity
Financial assets						
Cash and cash equivalents	3,485	3,485	-	-	-	-
Financial assets at fair value through profit or loss	46,857	-	-	-	-	46,857
Receivable from sale of financial assets at fair value through profit or loss	147,969	-	21,444	126,525	-	-
Other financial assets	234	234	-	-	-	-
Total financial assets	**198,545**	**3,719**	**21,444**	**126,525**	-	**46,857**
Financial liabilities						
Other financial liabilities	2,937	2,937	-	-	-	-
Total financial liabilities	**2,937**	**2,937**	-	-	-	-
Net position	**195,608**	**782**	**21,444**	**126,525**	-	**46,857**

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 is as follows:

in '000 AMD	December 31, 2015						
	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	286	286	-	-	-	-	-
Financial assets at fair value through profit or loss	198,928	-	-	-	-	-	198,928
Other financial assets	441	-	-	-	-	-	441
Total financial assets	**199,655**	**286**	**-**	**-**	**-**	**-**	**199,369**
Financial liabilities							
Other financial liabilities	4,479	-	-	-	-	-	4,479
Total financial liabilities	**4,479**	**-**	**-**	**-**	**-**	**-**	**4,479**
Net position	**195,176**	**286**	**-**	**-**	**-**	**-**	**194,890**

in '000 AMD	December 31, 2014						
	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	3,485	3,485	-	-	-	-	-
Financial assets at fair value through profit or loss	46,857	-	-	-	-	-	46,857
Receivable from sale of financial assets at fair value through profit or loss	147,969	-	21,444	126,525	-	-	-
Other financial assets	234	-	-	-	-	-	234
Total financial assets	**198,545**	**3,485**	**21,444**	**126,525**	**-**	**-**	**47,091**
Financial liabilities							
Other financial liabilities	2,937	-	-	-	-	-	2,937
Total financial liabilities	**2,937**	**-**	**-**	**-**	**-**	**-**	**2,937**
Net position	**195,608**	**3,485**	**21,444**	**126,525**	**-**	**-**	**44,154**

The Company management does not carry out a detailed interest rate risk exposure sensitivity analysis as it considers the Company is not exposed to changes in interest rates due to the absence of floating rate liabilities and borrowings, as well as due to absence of interest bearing assets and portfolio of trading assets.

Foreign currency risk

Foreign currency risk arises in respect of those recognized monetary financial assets and liabilities that are not in the functional currency of the Company. As at reporting date the Company has no exposure to currency risk.

Other price risks

The Company is exposed to unit price risks arising from unitholdings in funds under its management. The Company does not actively trade these investments. The sensitivity analyses below have been determined based on the exposure to net asset value price risks at the end of the reporting period.

If net asset values had been 5% higher (lower) loss for 2015 year would decrease (increase) by AMD 9,940 thousand (2014: AMD 9,952 thousand) as a result of the changes in fair value of units held in respective funds. The Company's sensitivity to unit net asset values has not changed significantly from the prior year.

a. 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.

b. 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 CBA. During the past year, the Company had complied with all its externally imposed capital requirements.

c. 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 transactions 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.

6. Fund management activities

During the year end December 31, 2015 the Company's fund management activities included management of three funds launched during the course of 2013. The total management fee earned in 2015 was AMD 4,471 thousand (December 31, 2014: AMD 3,820 thousand) calculated based on the net assets values of the respective funds.

Management fee rates per funds for the year ended December 31, 2015 are as follows:

	2015	2014
CAMavor 1	1.80%	1.80%
CAMavor 2	2.00%	2.00%
CAM GSF		
Class A	0.40%	0.40%
Class B	1.00%	1.00%
Class C	1.85%	2.00%

7. Interest income and interest expense

in '000 AMD	2015	2014
Interest income:		
Interest income on receivable from sale of financial assets at fair value through profit or loss	8,708	7,027
Financial assets at fair value through profit or loss	-	7,764
Due from banks	-	7,404
Total interest income	**8,708**	**22,195**
Interest expense:		
Repurchase agreements	-	1,220
Total interest expense	**-**	**1,220**

8. Net gain on financial assets at fair value through profit or loss

in '000 AMD	2015	2014
Net change in fair value	11,592	(1,709)
Net gain from dealing operations, net	-	12,154
Net gain on financial assets at fair value through profit or loss	**11,592**	**10,445**

9. Commission income

Commission income earned represents considerations for issuing units of three funds under Company's management. The total commission income earned in 2015 was AMD 117 thousand (December 31, 2014: AMD 11,972 thousand) calculated based on values of the respective funds' units issued.

10. Administrative expenses

in '000 AMD	2015	2014
Employee compensation	15,609	25,462
Operating lease expenses	10,032	9,525
Professional services	5,000	5,500
Taxes other than on income	3,155	3,680
Depreciation and amortization	1,557	1,537
Communication	997	991
Utilities and office related	332	1,218
Other	299	2,344
Total administrative expenses	**36,981**	**50,257**

11. Income tax

in '000 AMD	2015	2014
Current tax expense	-	-
Deferred tax benefit	1,541	396
Total income tax benefit	**1,541**	**396**

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 RA, 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, 2015 and 2014 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 RA on taxable profits (as defined) under tax law in that jurisdiction.

in '000 AMD	December 31, 2015		December 31, 2014	
Loss before tax	(12,158)		(2,949)	
Tax at the statutory tax rate	(2,432)	(20.00%)	(590)	(20.00%)
Non-taxable income	(2,318)	(19.07%)	297	10.07%
Non deductible expenses	24	0.20%	(103)	(3.49%)
Unrecognised tax losses	3,185	26.20%	-	0.00%
Income tax benefit	**(1,541)**	**(12.67%)**	**(396)**	**(13.42%)**

The following is the analysis of deferred tax assets/(liabilities) presented in the statement of financial position:

in '000 AMD	December 31, 2015	Recognized in profit or loss	December 31, 2014	Recognized in profit or loss	December 31, 2013
Deferred tax assets					
Payables and accrued expenses	628	108	520	(25)	545
Property and equipment	11	11	-	-	-
Tax losses carried forward	1,514	-	1,514	(1,179)	2,693
Total deferred tax assets	2,153	119	2,034	(1,204)	3,238
Deferred tax liabilities					
Financial instruments at fair value through profit or loss	-	-	-	3,022	(3,022)
Other assets	-	1,422	(1,422)	(1,422)	-
Total deferred tax liabilities	-	1,422	(1,422)	1,600	(3,022)
Net deferred tax asset	2,153	1,541	612	396	216

The Company has not recognized deferred tax asset originated in the current year in the amount of AMD 3,185 thousand. These tax losses expire in 2020. Tax loses recognized in the amount of AMD 1,514 thousand expire in 2018.

12. Cash and cash equivalents

in '000 AMD	December 31, 2015	December 31, 2014
Current accounts	286	3,485
Total cash and cash equivalents	286	3,485

13. Financial instruments at fair value through profit or loss

in '000 AMD	December 31, 2015	December 31, 2014
Units held in funds managed by the Company:		
CAM GSF Class A	95,268	5,584
CAM GSF Class C	93,559	36,055
CAM GSF Class B	7,502	2,764
CAMavor 2	1,316	1,251
CAMavor 1	1,283	1,203
Total financial assets at fair value through profit or loss	198,928	46,857

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

14. Property and equipment

in '000 AMD	Computer equipment	Leasehold improvements	Office equipment	Total
Cost				
At December 31, 2013	5,107	4,954	906	10,967
Additions	334	-	35	369
At December 31, 2014	5,441	4,954	941	11,336
Additions	-	-	-	-
At December 31, 2015	5,441	4,954	941	11,336
Accumulated depreciation				
At December 31, 2013	501	165	86	752
Depreciation charge	774	247	170	1,191
At December 31, 2014	1,275	412	256	1,943
Depreciation charge	789	247	170	1,206
At December 31, 2015	2,064	659	426	3,149
Net book value				
At December 31, 2015	3,377	4,295	515	8,187
At December 31, 2014	4,166	4,542	685	9,393
At January 1, 2014	4,606	4,789	820	10,215

15. Other assets

in '000 AMD	December 31, 2015	December 31, 2014
Prepayments	2,703	2,463
Other	549	330
Total other assets	3,252	2,793

16. Share capital

In accordance with the statues, the Companies authorized share capital consists of 30,000 ordinary shares. As of December 31, 2015 the Company's registered and paid-in share capital was AMD 207,900 thousand (2014: AMD 210,000 thousand) represented by 21,000 ordinary shares of AMD 9,900 each (2014: 21,000 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 (December 31, 2014: AMD 200,000 thousand).

During the reporting year the Company reduced the nominal value of its ordinary shares to reduce retained losses of the Company as per statutory requirements.

During the year the Company received CAM GSF Class A 4,250 units and CAM GSF Class C 3,000 units from its parent entity for a total consideration of AMD 1. The difference between the fair value of these respective units and the consideration paid to the parent comprised AMD 10,412 thousand, which was recognized as additional paid in capital by the parent entity. On December 28, 2015 according to the decision of the Board of Directors, the additional paid in capital balance of AMD 10,412 thousand was transferred to Company's retained earnings to cover accumulated losses of the Company.

In accordance with Armenian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with accounting regulations of the Republic of Armenia, except for restrictions on retained earnings as described further. According to legal requirements and the Company's charter, the Company is required to create a non-distributable reserve from its retained earnings for an amount equal to 15% of its share capital for the purpose of covering future losses.

17. Payables and accrued expenses

in '000 AMD	December 31, 2015	December 31, 2014
Accrued expenses	2,000	1,500
Unused vacation reserve	1,139	1,129
Other	2,479	1,437
Total payables and accrued expenses	**5,618**	**4,066**

18. 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.

The ultimate controlling party of the Company is Mr Tigran Karapetyan.

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

in '000 AMD	December 31, 2015		
	Shareholders and parent company, and entities under common control of the shareholders	Key management personnel	Funds under management
Statement of profit or loss and other comprehensive income			
Management fee	-	-	4,471
Management compensation included in administrative expenses	-	(7,262)	-
Interest income on receivable from sale of financial assets at fair value through profit or loss	8,708	-	-
Commission income	54	-	-
Commission expense	(224)	-	-
Operating lease included in administrative expenses	(10,032)	-	-
Statement of financial position			
Financial assets at fair value through profit or loss	-	-	198,928
Other assets	1,113	-	-
Payables and accrued expenses	-	(444)	-

During the year the Company received CAM GSF Class A 4,250 units and CAM GSF Class C 3,000 units from its parent entity for a total consideration of AMD 1. The difference between the fair value of these respective units and the consideration paid to the parent comprised AMD 10,412 thousand, which was recognized as additional paid in capital by the parent entity.

In '000 AMD	December 31, 2014		
	Shareholders and parent company, and entities under common control of the shareholders	Key management personnel	Funds under management
Statement of profit or loss and other comprehensive income			
Management fee	-	3,820	3,820
Management compensation included in administrative expenses	-	-	-
Net gain on financial assets at fair value through profit or loss	12,231	-	-
Interest income on receivable from sale of financial assets at fair value through profit or loss	7,027	-	-
Commission income	4,224	-	-
Interest expense on repurchase agreements	(1,220)	-	-
Commission expense	(120)	-	-
Operating lease included in administrative expenses	(9,524)	-	-
Statement of financial position			
Financial assets at fair value through profit or loss	-	46,857	46,857
Receivable from sale of financial assets at fair value through profit or loss	147,969	-	-
Other assets	1,134	-	-
Payables and accrued expenses	-	-	-

19. Fair values of financial instruments

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.

Fair value of financial assets and liabilities measured at fair value on a recurring basis

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 December 31, 2015 in '000 AMD	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:					
Units in Funds	198,928	Level 2	Net asset value of respective funds as published by the funds	N/A	N/A

Financial assets/financial liabilities	Fair value as at December 31, 2014 in '000 AMD	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:					
Units in Funds	46,857	Level 2	Net asset value of respective funds as published by the funds	N/A	N/A

Management applies judgment in categorizing financial instruments using the fair value hierarchy. The significance of a valuation input is assessed against the fair value measurement in its entirety.

During the period ended December 31, 2015 and 2014 there were no transfers from level 1 to level 2 in either direction.

Fair value of financial assets and liabilities not measured at fair value on a recurring basis

For fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required), management consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.