Capital Asset Management CJSC
Financial statements
and Independent Auditor’s Report
For the year ended 31 December 2019

Contents

Legal Form:	Closed Joint Stock Company
Principal Activities:	Fund Management
Chief Executive Officer	Alik Araqelyan

Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended December 31, 2019

Capital Asset Management CJSC`s management statement

We are responsible for the preparation of the financial statements that present fairly the financial position the Company and the results of its operations.

The Company's management is responsible for:
• Properly selecting and applying accounting policies;
• Providing 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;
• Keeping accurate accounting records;
• Making an assessment of the company's ability to continue as a going concern.

The Company operates an effective accounting system in accordance with the Republic of Armenia legislation and International Financial Reporting Standards.

The necessary measures are taken to protect assets, prevent and detect fraud and other irregularities in the Company. We also guarantee that the financial statements of the Company comply with International Financial Reporting Standards and other accounting rules.

The financial statements were approved by the Management of Capital Asset Management CJSC on 25 March 2020 and signed by:

Chief Executive Officer	Chief Accountant
	Argam Abrahamyan
Alik Araqelyan	«AN Audit» CJSC authorised representative

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Independent Auditor's Report

To the shareholder of Capital Asset Management CJSC

Opinion

We have audited the accompanying financial statements of " Capital Asset Management " CJSC ("the Company"), which comprise the statement of financial position as at 31 December 2019, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion we draw attention to Note 14 to the financial statements which describes the potential impact on Company`s financial statements related to events after reporting period. Our opinion is not modified in respect of this matter.

Other Matter - Scope of the Audit

The financial statements of the Company for the year ended on December 31, 2018 were audited by another company, who expressed an unmodified opinion on those statements on 28 March 2019.

Responsibilities of the management and those charged with governance for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operation, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Among other issues, we inform those charged with governance/management about the scope and timing of the audit, as well as significant findings identified during the audit, including any significant deficiencies in internal control.

"BDO Armenia" CJSC

Vahagn Sahakyan, FCCA
Managing Partner

Silvie Hyusyan
Auditor

25 March, 2020
Yerevan

Statement of profit or loss and other comprehensive income for the year ended 31 December, 2019

	Note	2019 AMD'000	2018 AMD'000
Fund management fees	5	58,932	37,317
Net gain on financial assets at fair value through profit or loss		42,074	22,162
Commission income		2,042	4,259
Commision expense		(110)	(110)
Operating expenses	6	(35,899)	(35,540)
Profit before tax		67,039	28,088
Income tax benefit	7	712	4,972
Profit for the year		67,751	33,060
Other comprehensive income		-	-
Total comprehensive result		67,751	33,060

The financial statements from pages 6 to 24 were approved by the Management of "Capital Asset Management" CJSC on 25 March 2020 and signed by:

Chief Executive Officer
Alik Araqelyan

Chief Accountant
Argam Abrahamyan
«AN Audit» CJSC authorised representative

Statement of financial position
As at 31 December 2019

	Note	2019 AMD'000	2018 AMD'000
Assets			
Cash and cash equivalents		**1,111**	7
Financial assets at fair value through profit or loss	**8**	**266,283**	224,628
Property, equipment and intangibles		**3,921**	5,188
Deferred tax asset	**9**	**5,684**	4,972
Other assets	**10**	**20,360**	6,030
Total assets		297,359	240,825
Liabilities			
Payables	**11**	**9,465**	5,772
Total liabilities		9,465	5,772
Equity			
Share capital		**207,900**	207,900
General reserve		**10,000**	4,000
Retained earnings		**69,994**	23,153
Total share capital		287,894	235,053
Total liabilities and equity		297,359	240,825

Statement of cash flows
for the year ended 31 December 2019

	2019 AMD'000	2018 AMD'000
Cash flows from operating activities		
Fund management fees received	**43,680**	40,697
Commission expense paid	**(110)**	(110)
Commission income received	**2,001**	4,247
Purchase of financial assets at fair value through profit or loss	**(12,500)**	(4,000)
Proceeds from settlement of financial assets at fair value through profit or loss	**14,577**	24,249
Salaries and benefits paid	**(14,896)**	(13,499)
Other operating expenses paid and prepayments	**(15,108)**	(20,533)
Net cash from operating activities	17,644	31,051
Cash flows from investing activities		
Purchase of property, equipment and intangible assets	**(3,614)**	-
Sale of property, equipment and intangible assets	**1,984**	-
Net cash used in investing activities	(1,630)	-
Cash flows from financing activities		
Dividends paid	**(14,910)**	(31,080)
Net cash used in financing activities	(14,910)	(31,080)
Net increase/(decrease) in cash	1,104	(29)
Cash at the beginning of the year	7	36
Cash at the end of the year	1,111	7

Statement of changes in owners' equity
for the year ended on December 31, 2019

	Share Capital	General Reserve	Retained Earnings	Total
	AMD'000	AMD'000	AMD'000	AMD'000
Balance at January 1, 2019	207,900	4,000	23,153	235,053
Comprehensive income for the year				
Profit for the year	-	-	67,751	67,751
	-	-	67,751	67,751
Contribution by and distribution to owners				
Dividends	-	-	(14,910)	(14,910)
Transfer to General reserve	-	6,000	(6,000)	-
Contribution by and distribution to owners	-	6,000	(20,910)	(14,910)
Balance at December 31, 2019	207,900	10,000	69,994	287,894

	Share Capital	General Reserve	Retained Earnings	Total
	AMD'000	AMD'000	AMD'000	AMD'000
Balance at January 1, 2018	207,900	3,000	22,173	233,073
Comprehensive income for the year				
Profit for the year	-	-	33,060	33,060
	-	-	33,060	33,060
Contribution by and distribution to owners				
Dividends	-	-	(31,080)	(31,080)
Transfer to General reserve	-	1,000	(1,000)	-
Contribution by and distribution to owners	-	1,000	(32,080)	(31,080)
Balance at December 31, 2018	207,900	4,000	23,153	235,053

Index to notes forming part of the financial statements
For the year ended 31 December 2019

Contents

Notes forming part of the financial statements
for the year ended December 31, 2019

1. About the Company

Capital Asset Management CJSC (the Company) is the first registered investment and pension fund manager in the Republic of Armenia. The Company was founded on October 18, 2012 and has been registered in the Central Bank of Armenia (CBA) as an investment fund manager with granted license number 1. The Company's registered office is 7 Argishti, 1st floor office 101, Yerevan, Republic of Armenia. The activity of the Company is regulated by CBA. The Company manages and administers assets held in unit funds. The financial statements of these entities are not included in these financial statements.

The only shareholder of the "Capital Asset Management" CJSC is Tigran Karapetyan.

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
- CAM Bridge Fund I
- CAM Bridge Fund II

Average number of employees for the year ended31 December 2019 was 8 (31 December 2018: 6).

2. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out in note 15. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in Armenian Drams (AMD), which is also the Company's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and judgments. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Basis of measurement

The financial statements have been prepared on historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2019

- IFRS 16 Leases (IFRS 16);
- IFRIC 23 Uncertainty over income tax treatment (IFRIC 23).

None of the above mentioned had significant effect on the Company's financial statements.

b) New standards, interpretations and amendments not yet effective

There were no new standards, interpretations and amendments that are not yet effective that will have or may have an impact on the Company's future financial statements.

3. Critical Accounting Estimates and Judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual outcome may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

Fair value measurement

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company’s financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- *Level 1:* Quoted prices in active markets for identical items (unadjusted)
- *Level 2:* Observable direct or indirect inputs other than Level 1 inputs
- *Level 3:* Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur. The Company measures fund units at fair value (Note 8).

4. Financial instruments - Risk Management

The Company is exposed through its operations to the following financial risks:

- Credit risk,
- Fair value or cash flow interest rate risk,
- Liquidity risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments.

This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

(a) Principal financial instruments

The principal financial instruments used the Company, from which financial instrument risks arise, are as follows:

- Finasial assets at fair value through profit or loss
- Receivables
- Cash and cash equivalents
- Payables.

(b) Financial instruments by category

Financial asset

	Fair value measurement		Amortized cost	
	2019 AMD'000	**2018 AMD'000**	**2019 AMD'000**	**2018 AMD'000**
Cash and cash equivalents	-	-	1,111	7
Finacial assets at fair value through profit or loss	**266,283**	224,628	-	-
Receivables	-	-	**20,184**	4,932
Total	**266,283**	224,628	**21,295**	4,939

Financial liabilities

	2019 AMD'000	**2018 AMD'000**	**2019 AMD'000**	**2018 AMD'000**
Payables	-	-	651	1,080
Total	-	-	651	1,080

(c) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, receivables and payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade receivables and trade payables approximates their fair value.

(d) Financial instruments measured at fair value

Financial Instruments fair value hierarchy is presented below

	Level 2	
December 31	**2019 AMD'000**	**2018 AMD'000**
Finacial assets at fair value through profit or loss	**266,283**	224,628
	266,283	224,628

Appendix A details the fair value hierarchy and significant unobservable inputs relating to valuation techniques that are included in Level 3 of the fair value hierarchy.

During the reporting period there were no changes in the levels. The valuation techniques and significant observable inputs used in determining the fair value of financial assets at fair value through profit or loss, as well as the primary observable inputs and fair value relationships are presented below.

Financial instrument	Measurement method
Finacial assets at fair value through profit or loss	Units measured at fair value of respective funds as at the reporting date published by the Funds.

There were no changes in the valuation technique used to measure the fair value during the reporting period.

Common goals, policies and processes

Company management has overall responsibility for risk management, goals and policies. The management receives monthly reports from the Company's chief accountant, thereby verifying the effectiveness of the processes and compliance with the stated goals and policies.

The management aims to define policies that minimize risk while avoiding the Company's competitiveness and flexibility. Details of this policy are described below.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. 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 reasonable judgement in selection of of servicing banking partners. The Company may enter into secured financing transactions such as sale and repurchase agreements or purchase and resale 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 policies and procedures for the management of credit exposures (for recognised financial assets and unrecognised contractual commitments).

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and in unrecognised contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

As at December 31, 2019 and 2018 credit risk exposure of financial assets are presented in the table below:

	2019 AMD'000	2018 AMD'000
Cash and cash equivalents	1,111	7
Finacial assets at fair value through profit or loss	266,283	224,628
Trade receivebles	20,184	4,932
	287,578	229,567

Cash at bank

The Company believes that the risk of cash at bank can be deemed as insignificant, since the financial institutions selected for investment of the Company’s funds are reliable and authoritative.

A significant amount of cash is held with the following institutions:

	2019 AMD'000	2018 AMD'000
Bank 1	**1,065**	1
Bank 2	**46**	6
	1,111	7

Liquidity risk

Liquidity risk arises from the Company’s management of own funds. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash available to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements in reasonable timeframe.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

Up to 3 months	**31 December 2019 AMD'000**	**31 December 2018 AMD'000**
Trade payables	**651**	1,080

Fair value or cash flow 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.

5. Fund management fees

	2019 AMD'000	2018 AMD'000
Management fees from investment funds	**56,255**	33,237
Management fees from pensian funds	**2,677**	2,320
Other	**-**	1,760
	58,932	37,317

Company revenue from the fund management services is recognized on a daily basis and calculated base on net active values of funds. The Company typically collects revenue from management services within the following month.

6. Other operating expenses

	2019	2018
	AMD'000	AMD'000
Employee benefit expenses	16,138	13,775
Audit and other consulting services	7,200	6,750
Short-term lease expenses	6,201	11,962
Servicing and maintenance	3,050	-
Depreciation and amortization	1,494	1,356
Communication expenses	928	1,017
Other operating expenses	888	680
	35,899	35,540

7. Income tax

	2019 AMD'000	2018 AMD'000
Deferred income tax benefit	712	4,972
Total income tax benefit	712	4,972

The reasons for the difference between the actual tax expenses of the year and the profit tax rate in the Republic of Armenia are as follows:

	2019 AMD'000	2018 AMD'000
Profit before tax	67,039	28,088
Profit tax using the Company's profit tax rate of 20.0% (2018 - 20.0%)	13,408	5,618
Effect of non-deductible non-taxable income, net	(8,415)	(4,412)
Utilization of previously unrecognized tax losses	(5,405)	(1,263)
Recognition of previously not recognized deferred tax assets on tax losses	(459)	(3,788)
Effect on tax rate adjustments (Note 9)	159	-
Recognition of previously not recognized deferred tax assets	-	(1,127)
Total effective tax income) and effective rate	(712)	(4,972)

8. Financial assets at fair value through profit or loss

	2019 AMD'000	2018 AMD'000
Units held in funds under management	266,283	224,628
	266,283	224,628

9. Deferred tax assets

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 18% (2018: 20%). The change in deferred tax calculation rate relates to the amendments to Tax Code adopted on 25 June 2020, based on which profit tax rate is changed from previous 20% to 18%. The Change become effective from the annual periods starting from 1 January 2020.

	2019 AMD'000	2018 AMD'000
At 1 January	**4,972**	1,184
Tax expense recognized in profit or loss	**712**	3,788
At 31 December	**5,684**	4,972

During the reporting period the Company utilized AMD 5,405 thousand of previously unrecognized tax losses. As at 31 December 2019 the Copmpany have not recognized deferred tax of AMD 2,885 thousand with respect to unrecognised tax losses, which can be utilised during 2020-2021.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

	Balance as at 31.12.2018	2019 recognized in profit or loss	Balance as at 31.12.2019
Deferred tax assets, including	**1,184**	**342**	**1,499**
Provisions	1,157	342	1,499
Deferred tax liabilities, including	**27**	**(89)**	**(62)**
Property and equipment	27	(89)	(62)
Net deferred tax asset/(liability)	**1,184**	**253**	**1,437**
Tax loss carry-forward	**3,788**	459	4,247
Total movement of net deferred tax asset/(liability)	**4,972**	**712**	**5,684**

	Balance as at 31.12.2017	2018 recognized in profit or loss	Balance as at 31.12.2018
Deferred tax assets, including	**-**	**1,184**	**1,184**
Provisions	-	1,157	1,157
Deferred tax liabilities, including	**-**	**27**	**27**
In terms of property and equipment	-	27	27
Net deferred tax asset/(liability)	**-**	**1,184**	**1,184**
Tax loss carryforward	**-**	**3,788**	**3,788**
Total movement of net deferred tax asset/(liability)	**-**	**4,972**	**4,972**

10. Other assets

	2019 AMD'000	2018 AMD'000
Receivables from funds	**20,184**	4,932
Other	**176**	1,098
	20,360	6,030

11. Payables

	2019 AMD'000	2018 AMD'000
Accruals on vacation leave	**4,728**	3,383
Accruals on audit	**3,600**	720
Other payables	**1,137**	1,669
	9,465	5,772

12. Related party 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. On June 03, 2019 the transfer of 100% shares of the Company from Capital Investments CJSC to the ultimate controling party Tigran Karapetyan has been registered.

Transactions with related parties at the end of the reporting period are as follows:

Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Company's Director. The costs related to remuneration of key management personnel are presented below.

	2019 AMD'000	2018 AMD'000
Salary, other compensation	**8,400**	8,330

13. Contingent Liabilities

As of December 31, 2019 the Company had no liabilities related to capital investments (as well as, as of December 31, 2018)

As of December 31, 2019 the Company has provided no guarantees regarding repayment of liabilities of any party (the same applies to 31.12.2018)

As of 31 December 2019 there were no legal actions against the Company (the same applies to 31.12.2018)

14. Events after reporting period

Taking into consideration the wide geographical spread of the new type of coronavirus (COVID-19), especially after the reporting period in the territory of the Republic of Armenia, as well as the RA Government's decision of the state of emergency from March 16 to April 14, the Fund Manager consider that the created situation could negatively impact on net assets attributable to the unitholders, in particular, it can lead to:

- Reduction of Investor sentiments
- increase in interest rates and decrease in the fair values of securities

In such conditions of the unpredictability of events, the Fund Manager is unable to give a reliable estimate of the impact of such circumstances on the Fund's financial statements. The Fund's financial statements do not include the effect of adjustments that could have been considered necessary if the above circumstances were observable and measurable in the Republic of Armenia.

15. Accounting policy

Income from main activity

Fund management fees are recognised based on the net asset values of investment funds. 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 proportionately 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 fair values of client assets included in funds are based on quoted market prices and other observable market data.

Foreign currency transactions

Transactions in foreign currency are converted into the functional currency at the closing exchange rate as of the day of the transaction, and at the average exchange rate announced by the CBA in case of closing price absence.
Non-monetary assets and liabilities in foreign currencies that are measured at fair value are recalculated at the current exchange rate at the date the fair value of the functional currency is determined.
Exchange differences arising from the foreign currency items account are recognized in profit or loss as net gains/losses on foreign exchange differences, except for financial instruments measured at fair value through profit or loss that are recognized at fair value, the element of net profit or loss arising from the revaluation of financial instruments measured through profit or loss.

Interest income and expense

Interest income and expense, including interest income from non-derivative financial assets measured at fair value through profit or loss, are recognized in profit or loss, respectively, as interest income or expense.

Stock transactions and investment income

Stock transactions are accounted for at the date of the transaction (sale or purchase of securities). Interest income is accounted on an accrual basis. Dividends are accounted on the date of the previous dividends. Value of securities is calculated based on weighted average cost.

Financial instruments

The Company recognizes the financial assets and liabilities in the statement of financial position when it becomes a party to the financial instrument contract. Regular way purchases and sales of financial assets and liabilities are accounted for at the end of the reporting period. Regular way purchases or sales of financial instruments are the purchase or sale of financial assets that require delivery of the assets within the time frame established generally by regulation or convention in the marketplace concerned.
Financial assets or liabilities are initially measured at fair value. In the case of financial assets or liabilities that are not classified in the group of financial instruments measured at fair value through profit or loss, the transaction costs are added (or removed) to the fair value, which are directly attributable to the purchase or issue of a financial asset or liability. Transaction costs that are directly attributable to acquisition of financial assets or financial liabilities "measured at fair value through profit or loss" are recognized immediately in profit or loss.

Financial assets

Financial assets are classified in the following categories: (a) financial assets measured at fair value through profit or loss (FVTPL); (b) financial assets measured at fair value through other comprehensive income (FVOCI); c) financial assets measured at amortized cost. The classification depends on the nature of the cash flows resulting from the financial assets and the business model, under which the asset is held and designated at the time of initial recognition.
Financial assets measured at fair value through profit or loss. Financial asset is classified as "measured at fair value through profit or loss" if it is classified neither as measured at amortized cost (as described below) nor as measured at FVOCI (as described below). Additionally, at initial recognition, the Company may irrevocably designate any financial asset (which meets the criteria for being measured at amortized cost or at FVOCI) as measured at FVTPL, if this eliminates or essentially reduces the accounting mismatch that could otherwise have arisen.

A financial asset is classified as measured "at fair value through other comprehensive income" (FVOCI) if:
● It is held under a business model, which aims at collecting contractual cash flows and selling financial assets; and
● At initial recognition, it forms a part of the portfolio of certain financial instruments managed jointly by the Company and has a realistic possibility of short-term profit making; or

● Its contractual terms give rise to cash flows on the specified dates, which are solely interest payments on principal and outstanding principal.

A financial asset is classified as measured "at amortized cost" if it complies with the following two conditions and has not been designated as measured at FVTPL:

● It is held under a business model, which aims at holding assets to collect contractual cash flows; and
● Its contractual terms give rise to cash flows on the specified dates, which are solely interest payments on principal and outstanding principal.

Financial assets, which are debt instruments and are not classified as measured at FVPOL, are subject to impairment test using the expected credit loss model. According to this model, a credit loss provision should be recognized in the amount of expected credit losses (ECL) during 12 months after the reporting date. However, if the instrument's credit risk has significantly increased since its initial recognition, the provision should be recognized for the whole life of the instrument in the amount of ECL.

Derecognition of financial assets

The Company derecognises financial assets when the contractual rights with respect to cash flows resulting from the financial asset become void, or when these rights are transferred to a third party.
If the Company substantially neither transfers nor retains all the risks and returns related to ownership of the financial asset, but retains control over the transferred asset, the Company

continues to recognize the financial asset, as well as its associated liability to the extent that its involvement in the financial asset is kept. If the Company substantially retains all the risks and returns related to ownership of the financial asset, the Company shall continue to recognize the financial asset, as well as the borrowing pledged as collateral for the received return.

Financial liabilities

Financial liabilities are classified as measured "at fair value through profit or loss" (FVTPL) or other financial liabilities.

Financial liabilities measured at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for sale or classified as measured at fair value through profit or loss.
A financial liability is classified as held for sale if:

- it has been acquired primarily for a short-term repurchase; or
- initial recognition, it forms a part of the portfolio of certain financial instruments managed jointly by the Company and has a realistic possibility of short-term profit making; or
- it is a derivative instrument that is not intended or used as a hedging tool.

A financial liability not held for trading purposes may be classified as measured at FVTPL at the time of recognition, if:

- such classification excludes or significantly reduces the measurement or recognition mismatch that would otherwise have occurred; or
- a financial liability forms a part of financial assets or financial liabilities or the group of assets and liabilities, which is managed and whose performance is evaluated on a fair value basis in accordance with the Company's documented risk management or investment strategy, and the grouping information is provided internally on theses grounds; or
- It is a part of the contract, that contains one or more of the embedded derivatives, and the entire contract (assets or liabilities) is classified as measured at FVTPL.

Financial liabilities measured at FVTPL are presented at fair value, and the gain or loss arising from their remeasurement is recognized in profit or loss except for the change in the fair value from the part attributable to the credit risk, which is presented in other comprehensive income.

Other financial liabilities

Other financial liabilities are initially measured at fair value, less transaction costs.
Other financial liabilities are subsequently measured at amortized cost using the effective interest method, recognizing the interest expense on the basis of efficiency.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when the Company's obligations are repaid, canceled, or become void. When a financial liability to the same lender is replaced by another financial liability (the terms of which substantially vary from the previous one), or there has been a material change in the terms of the present liability, such replacement or change is recognized as derecognition of the original liability and recognition of a new liability. The difference between the carrying amount of the derecognized financial liability and compensation paid and payable is recognized in the statement of comprehensive income.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. The initial cost comprises any costs directly attributable to acquisition and bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner.

If an asset comprises two or more major components with different useful lives, then each component should be accounted for as separate items of property, plant and equipment (major components).

Replacement costs for a separate item of property, plant and equipment are recognized in the carrying amount of that fixed asset if it is probable that the future economic benefits embodied in that part will flow to the Company and its value can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.
Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.
The estimated useful lives for the current and comparative periods are as follows:

Computer equipement - 1-5 years
Household and office equipment, other fixed assets - 5-10 years:
Depreciation methods, useful lives and residual values are reviewed at the end of each financial year and are adjusted if appropriate.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Softwares- 10 years.

Dividends

Dividends are recognized when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Deferred taxation

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill,
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the temporary difference can be utilized.
The amount of the deferred asset or liability is determined using tax rates that are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events and it would appear, that the Company will be required to meet the liability and the amount of the liability can be assessed accurately.
The amount recognized as a reserve is the best estimate at the end of the reporting period that will be required to settle an existing obligation, taking into account the associated risks and uncertainties.
If the effect of the monetary value is significant over time, the amount of the provision should the present value of the costs that would be required to pay the arrears.
If any other party is expected to fully or partially compensate for expenses, required to discharge the provision, the compensation should be treated as a separate asset when it is certain that in the event

of settlement of arrears by the Company, the reimbursement will be satisfied and the recoverable amount can be measured reliably.

Securities purchased and redeemed under the REPO agreement

Securities received under REPO agreements shall be credited off-balance sheet as collateral security. Amounts paid for securities received under repurchase agreements are credited as secured loans. Interest earned on ***that*** basis is recognized on an accrual basis in profit or loss and is included in other operating income. Securities issued under REPO agreements are accounted for in their balance sheet. The amounts received for securities issued by the REPO agreements are recorded as received loans. Interest paid on them is recognized on an accrual basis in the profit or loss as interest expenses.

Annex A. Fair Value measurement disclosures

The following table sets out the valuation techniques used in the determination of fair values including the key unobservable inputs used and the relationship between unobservable inputs to fair value.

Item	Fair value, AMD'000	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Fund units	**266,283**	Units are measured at fair value of respective funds as reporting date published by the Funds.	Level 2	Not applicable
Receivables	**20,184**	The carrying amount of short term (less than 12 months) payable approximates its fair values.	Level 3	None
Payables	**651**	The carrying amount of short term (less than 12 months) receivable approximates its fair values.	Level 3	None