capital
asset
management

Capital Asset Management CJSC
Financial statements
and Independent Auditor's Report
For the year ended 31 December 2020

March 2021
Yerevan

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, 2020

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 30 March 2021 and signed by:

Alik Araqelyan Chief Executive Officer	Gayane Vardanyan Chief Accountant «AN Audit» CJSC authorised representative

BDO

23/6, Davit Anhaght St.
5th Floor, office 7
Yerevan, Armenia

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 2020, 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 2020, 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.

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.

BDO

Tel: +374 60 528899
E-mail: bdo@bdoarmenia.am
www.bdoarmenia.am

23/6, Davit Anhaght Str.
5th Floor, office 7
Yerevan, Armenia

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, about the scope and timing of the audit, as well as significant findings identified during the audit, including any significant deficiencies in internal control.

30 March, 2021
"BDO Armenia" CJSC

Vahagn Sahakyan, FCCA
Managing Partner

Gnel Khachatryan, FCCA
Engagement Partner

Statement of profit or loss and other comprehensive income
for the year ended 31 December, 2020

	Note	2020 AMD'000	2019 AMD'000
Fund management fees	5	36,787	58,932
Net gain on financial assets at fair value through profit or loss		19,668	42,074
Commission income		307	2,042
Commission expense		(186)	(110)
Operating expenses	6	(48,364)	(35,899)
Profit before tax		**8,212**	**67,039**
Income tax benefit	7	114	712
Profit for the year		**8,326**	**67,751**
Other comprehensive income		-	-
Total comprehensive result		**8,326**	**67,751**

The financial statements from pages 6 to 23 were approved by the Management of "Capital Asset Management" CJSC on 30 March 2021 and signed by:

Alik Araqelyan
Chief Executive Officer

Gayane Vardanyan
Chief Accountant
«AN Audit» CJSC authorised representative

Statement of financial position
As at 31 December 2020

	Note	2020 AMD'000	2019 AMD'000
Assets			
Cash and cash equivalents		114	1,111
Financial assets at fair value through profit or loss	8	273,516	266,283
Property, equipment and intangibles		2,003	3,921
Deferred tax asset	9	5,798	5,684
Other assets	10	2,661	20,360
Total assets		**284,092**	**297,359**
Liabilities			
Payables	11	29,872	9,465
Total liabilities		**29,872**	**9,465**
Equity			
Share capital	12	207,900	207,900
General reserve	12	20,000	10,000
Retained earnings		26,320	69,994
Total share capital		**254,220**	**287,894**
Total liabilities and equity		**284,092**	**297,359**

Statement of cash flows
for the year ended 31 December 2020

	2020 AMD'000	2019 AMD'000
Cash flows from operating activities		
Fund management fees received	54,832	43,680
Commission expense paid	(186)	(110)
Commission income received	307	2,001
FX gain (trading)	21	-
Purchase of financial assets at fair value through profit or loss	(85,615)	(12,500)
Proceeds from settlement of financial assets at fair value through profit or loss	98,210	14,577
Salaries and benefits paid	(26,179)	(14,896)
Other operating expenses paid and prepayments	(21,305)	(15,108)
Net cash from operating activities	**20,085**	**17,644**
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	(20,900)	(14,910)
Net cash used in financing activities	**(20,900)**	**(14,910)**
Net increase/(decrease) in cash	**(815)**	**1,104**
Cash at the beginning of the year	**1,111**	**7**
Effect of change of exchange rate on cash and cash equivalents	(182)	-
Cash at the end of the year	**114**	**1,111**

Statement of changes in owners' equity
for the year ended on December 31, 2020

	Share Capital	General Reserve	Retained Earnings	Total
Balance at January 1, 2020	**207,900**	**10,000**	**69,994**	**287,894**
Comprehensive income for the year				
Profit for the year	-	-	8,326	8,326
Comprehensive income for the year	**-**	**-**	**8,326**	**8,326**
Contribution by and distribution to owners				
Dividends	-	-	(42,000)	(42,000)
Transfer to General reserve	-	10,000	(10,000)	-
Contribution by and distribution to owners		**10,000**	**(52,000)**	**(42,000)**
Balance at December 31, 2020	**207,900**	**20,000**	**26,320**	**254,220**

	Share Capital	General Reserve	Retained Earnings	Total
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
Comprehensive income for the year	-	**-**	**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**

Index to notes forming part of the financial statements
For the year ended 31 December 2020

Contents

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.
All Assets and Liabilities of the company are located in Armenia. The legal address of the company is: Armenia, 0015, Yerevan, Argishti St., 7 Building.

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 ended 31 December 2020 was 7 (31 December 2019: 8).

Armenian business environment

The Company's operations are located in Armenia. Consequently, the Company is exposed to the effects of changes of economic and financial markets of Armenia. Armenia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government. The financial statements reflect the Company's assessment of the impact of the Company's operations on the financial condition of the business environment. The future business environment may differ from management's assessment

Widespread geographical spread of the new type of coronavirus (COVID-19) during the reporting period; its expansion into the territory of the Republic of Armenia, as well as lockdown imposed throughout Armenia from March 16 to April 14 had a significant impact on the Armenian economy. Many companies and individuals are forced to take measures to prevent the epidemic, including travel bans, quarantines, and temporary bans on non-essential services. The Government of the Republic of Armenia has undertaken programs of economic measures in order to neutralize the economic impact of the epidemic. The severity of the epidemic continues to impact as well as the effectiveness of the measures taken to address the problem remain uncertain at this time.

In addition, in 2020 The war unleashed by Azerbaijan against the Artsakh Republic on September 27, 2020, created significant preconditions for political and economic crises, which in turn led to a decrease in the general mood of investors against the dram, an increase in volatility and fluctuations in financial markets.

Such operating environment has a significant impact on the Company financial situation. The Company takes the necessary measures to ensure the stability of the Company's operations, however, due to the unpredictability of developments, the Management does not able to make a reliable assessment of how such circumstances will affect the financial condition of the Company in the coming years.

2. Basis of preparation

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

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.

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 2020

There are no new standards, interpretations and amendments, entered into force from 1 January 2020 and which 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 issued but 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.

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,
- Foreign exchange 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:

- Financial 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**	
	2020 AMD'000	**2019 AMD'000**	**2020 AMD'000**	**2019 AMD'000**
Cash and cash equivalents	-	-	114	1,111
Financial assets at fair value through profit or loss	273,516	266,283	-	-
Trade receivables	-	-	2,139	20,184
Total	**273,516**	**266,283**	**2,253**	**21,295**
Financial liabilities				
Trade payables	-	-	719	651
Total	**-**	**-**	**719**	**651**

(c) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade receivables and trade 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	**2020 AMD'000**	**2019 AMD'000**
Financial assets at fair value through profit or loss	273,516	266,283
	273,516	**266,283**

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**
Financial 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 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, 2020 and 2019 credit risk exposure of financial assets are presented in the table below:

	2020 AMD'000	2019 AMD'000
Cash and cash equivalents	114	1,111
Financial assets at fair value through profit or loss	273,516	266,283
Trade receivables	2,139	20,184
	275,769	**287,578**

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:

	2020 AMD'000	2019 AMD'000
Bank 1	2	1,065
Bank 2	112	46
	114	**1,111**

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 factors which impacts on the position of the cash and cash flows are including investment activities with securities, temps of subscriptions and maturity of shares. The combination of other factors can cause essential fluctuations on cash position of a certain period of time.

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 2020 AMD'000**	**31 December 2019 AMD'000**
Trade payables	**719**	**651**

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.

Foreign Exchange risk

Currency risk arises from recognized financial assets և liabilities that are not underlined in the Company's functional currency. The Company has a policy to manage the impact of foreign exchange risk on the Company in accordance with the terms of currency diversification set out in the Fund's rules. As of the reporting date, the impact of foreign exchange risk on the Company is due to USD underlined corporate securities in the investment portfolio.

The table below shows the impact of exchange rate fluctuations as of the reporting date.

	31.12.2020	**31.12.2019**
Financial assets measured at fair value through profit and loss	**AMD'000**	**AMD'000**
USD	162,970	129,757
Net currency position	**162,970**	**129,757**

As of the reporting date, the effect of a 10% devaluation of the US dollar against the AMD on financial instruments denominated in US dollars (if other data remained unchanged) would result in an increase in net profit for the year (after tax) by 16,297 thousand drams (12,975 thousand drams in 2019) and 10 Impact of% depreciation on annual profit (after tax) decrease in net assets by the same amount.

5. Fund management fees

	2020	**2019**
	AMD'000	**AMD'000**
Management fees from investment funds	33,681	56,255
Management fees from pension funds	3,106	2,677
	36,787	**58,932**

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

	2020	**2019**
	AMD'000	**AMD'000**

Notes forming part of the financial statements for the year ended December 31, 2020

Employee benefit expenses	26,018	16,138
Audit and other consulting services	6,600	7,200
Short-term lease expenses	5,640	6,201
Servicing and maintenance	3,856	3,050
Depreciation and amortization	1,918	1,494
Communication expenses	816	928
Other operating expenses	3,516	888
	48,364	**35,899**

7. Income tax

	2020 AMD'000	2019 AMD'000
Deferred income tax reimbursement	114	712
Total income tax reimbursement	**114**	**712**

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:

	2020 AMD'000	2019 AMD'000
Profit before tax	8,212	67,039
Profit tax using the Company's profit tax rate of 18.0% (2019 – 20.0%)	1,478	13,408
Effect of non-deductible non-taxable income, net	(3,229)	(8,415)
Utilization of previous year tax losses	1,637	(4,972)
Utilization of previously unrecognized tax losses	-	(433)
Recognition of previously not recognized deferred tax assets on tax losses	-	(459)
Effect on tax rate adjustments *	-	159
Total effective tax income	**(114)**	**(712)**

8. Financial assets at fair value through profit or loss

	2020 AMD'000	2019 AMD'000
Units held in funds under management	273,516	266,283
	273,516	**266,283**

9. Deferred tax assets

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 18% (2019: 18%). The change of deferred tax assets are as following.

	2020 AMD'000	2019 AMD'000

At 1 January	**5,684**	**4,972**
Tax expense recognized in profit or loss	114	712
At 31 December	**5,798**	**5,684**

As at 31 December 2020 the Company have not recognized deferred tax of AMD 19,567 thousand with respect to unrecognised tax losses, which can be utilised during 2022-2025.

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 31.12.2019	**2020 recognized in profit or loss**	**Balance as at 31.12.2020**
Provisions	1,499	49	1,548
Property and equipment	(62)	36	(26)
Tax loss carry-forward	4,247	29	4,276
	5,684	**114**	**5,798**

	Balance as at 31.12.2018	**2019 recognized in profit or loss**	**Balance as at 31.12.2019**
Provisions	1,157	342	1,499
Property and equipment	27	(89)	(62)
Tax loss carry-forward	3,788	459	4,247
	4,972	**712**	**5,684**

10. Other assets

	2020 AMD'000	**2019 AMD'000**
Receivables from funds	2,139	20,184
Other	522	176
	2,661	**20,360**

11. Payables

	2020 AMD'000	**2019 AMD'000**
Accruals on vacation leave	5,600	4,728
Accruals on audit	3,000	3,600
Other payables	21,272	1,137
	29,872	**9,465**

12. Share capital and reserves

Issued share

The declared, issued and outstanding share capital consists of 21,000 ordinary shares (21,000 in 2019). 2020 As of December 31, 2019, the nominal value of the share was 9,900 drams (9,900 drams in 2019).

The number of shares announced by the company is 30,000 shares. Holders of ordinary shares have the right to receive the declared dividends and to vote at the General Meetings of the Company - one share by one vote.

Dividends

Dividends payable are limited by the amount of the maximum retained earnings of the Company as defined by the legislation of the Republic of Armenia. During 2020, the Company declared and paid dividends of 42,000 thousand AMD (during 2019: 14,910 thousand AMD).

13. 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 controlling 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.

	2020 AMD'000	2019 AMD'000
Salary, other compensation	**10,093**	**8,400**

14. Contingent Liabilities

As of December 31, 2020 the Company had no liabilities related to capital investments (as well as, as of December 31, 2019)

As of December 31, 2020 the Company has provided no guarantees regarding repayment of liabilities of any party (the same applies to 31.12.2019)

As of December 31, 2020 there were no legal actions against the Company (the same applies to 31.12.2019)

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.
Monetary assets and liabilities in foreign currency are converted into the functional currency at the exchange rate as of the last day of reporting period.
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.

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 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.

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

Financial liabilities measured at amortized cost

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, recognizing the interest expense on the basis of efficiency.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of 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 equipment - 1-5 years
Household and office equipment, other fixed assets - 5-10 years:

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.

Software- 10 years.

Dividends

Dividends are recognized when they become legally payable.

Deferred taxation

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).

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.

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	273,516	Units are measured at fair value of respective funds as reporting date published by the Funds.	Level 2	Not applicable
Receivables	2,139	The carrying amount of short term (less than 12 months) payable approximates its fair values.	Level 3	None
Payables	719	The carrying amount of short term (less than 12 months) receivable approximates its fair values.	Level 3	None