AMUNDI-ACBA ASSET MANAGEMENT CJSC

Financial Statements

for the year ended 31 December 2015

Contents

KPMG Armenia cjsc
8th floor, Erebuni Plaza Business Center,
26/1 Vazgen Sargsyan Street
Yerevan 0010, Armenia

Telephone + 374 (10) 566 762
Fax + 374 (10) 566 762
Internet www.kpmg.am

Independent Auditors' Report

To the Board of Directors
AMUNDI-ACBA ASSET MANAGEMENT CJSC

We have audited the accompanying financial statements of AMUNDI-ACBA ASSET MANAGEMENT CJSC (the Company), which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2014 were audited by other auditors whose report dated 27 April 2015 expressed an unmodified opinion on those statements.

Tigran Gasparyan
Engagement Partner, Director of KPMG Armenia CJSC

KPMG Armenia cjsc
19 April 2016

	Notes	2015 AMD'000	2014 AMD'000
Fee and commision income	4	217,475	117,079
Interest income		28,828	38,411
Total revenue		**246,303**	**155,490**
Net (loss)/gain from foreign currency		(8,848)	4,759
Personnel expenses	5	(174,520)	(169,192)
Other expenses	6	(148,137)	(103,791)
Loss before income tax		**(85,202)**	**(112,734)**
Income tax expense	7	-	-
Loss for the year		**(85,202)**	**(112,734)**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		15,971	1,891
Total comprehensive income for the year		**(69,231)**	**(110,843)**

The financial statements were approved by management on 19 April 2016 and were signed on its behalf by:

Philippe Rousseau
Executive Officer

Vahan Abrahamyan
Acting Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Notes	2015 AMD'000	2014 AMD'000
ASSETS			
Cash and cash equivalents	8	95,956	102,907
Amounts due from banks	9	151,435	204,338
Investments available-for-sale	10	287,862	221,891
Property and equipment	11	42,851	54,834
Other assets	12	42,744	116,414
Total assets		**620,848**	**700,384**
LIABILITIES			
Other liabilities		12,570	22,875
Total liabilities		**12,570**	**22,875**
EQUITY			
Share capital	13	800,000	800,000
Revaluation reserve for available-for-sale financial assets		17,862	1,891
Accumulated losses		(209,584)	(124,382)
Total equity		**608,278**	**677,509**
Total liabilities and equity		**620,848**	**700,384**

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

	2015 AMD'000	2014 AMD'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(85,202)	(112,734)
Adjustments for:		
Depreciation	12,103	6,142
Interest income	(28,828)	(38,411)
Foreign currency translation	8,448	(4,966)
	(93,479)	**(149,969)**
Changes for:		
Investments available-for-sale	(50,000)	(220,000)
Amounts due from banks	50,000	(199,899)
Other assets	65,915	(111,940)
Other liabilities	(9,585)	22,362
Cash flows used in operations before interest received	**(37,149)**	**(659,446)**
Interest received	31,731	33,972
Net cash (used in) operating activities	**(5,418)**	**(625,474)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(120)	(60,976)
Net cash used in investing activities	**(120)**	**(60,976)**
Net decrease in cash and cash equivalents	**(5,538)**	**(686,450)**
Cash and cash equivalents as at the beginning of the year	102,907	788,720
Effect of changes in exchange rates on cash and cash equivalents	(1,413)	637
Cash and cash equivalents as at the end of the year	**95,956**	**102,907**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

AMD'000	Share capital	Revaluation reserve for available-for-sale financial assets	Accumulated losses	Total
Balance as at 1 January 2014	800,000	-	(11,648)	788,352
Total comprehensive income				
Loss for the year	-	-	(112,734)	(112,734)
Other comprehensive income				
Net change in fair value of available-for-sale financial assets	-	1,891	-	1,891
Total comprehensive income for the year	**-**	**1,891**	**(112,734)**	**(110,843)**
Balance as at 31 December 2014	**800,000**	**1,891**	**(124,382)**	**677,509**
Balance as at 1 January 2015	800,000	1,891	(124,382)	677,509
Total comprehensive income				
Loss for the year	-	-	(85,202)	(85,202)
Other comprehensive income				
Net change in fair value of available-for-sale financial assets	-	15,971	-	**15,971**
Total comprehensive income for the year	**-**	**15,971**	**(85,202)**	**(69,231)**
Balance as at 31 December 2015	**800,000**	**17,862**	**(209,584)**	**608,278**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

1 Background

(a) Organisation and operations

AMUNDI-ACBA ASSET MANAGEMENT CJSC (the "Company") was incorporated in 2013 and is regulated by the legislation of the Republic of Armenia (the "RA"). The Company operates under the license number 0002 provided by the Central Bank of Armenia (the "CBA") as a manager of mandatory pension funds.

Per the RA pension legislation contributions to the pension funds are currently mandatory for a certain category of employees. The contributions became mandatory for all types of employees in the RA who were born after 1974 starting 1 July 2017.

The Company's activities are supervised by the CBA.

The principal activity of the Company is the management of mandatory pension funds. The following three funds are under the management of the Company:

- AMUNDI-ACBA ASSET MANAGEMENT CJSC fixed income pension fund,
- AMUNDI-ACBA ASSET MANAGEMENT CJSC conservative pension fund,
- AMUNDI-ACBA ASSET MANAGEMENT CJSC balanced pension fund.

The registered office of the Company is located at 10 V. Sargsyan Street, 100-101, Yerevan, RA.

51% of the shares of the Company belong to Amundi Asset Management SA (France) and 49% of the shares of the Company belong to ACBA-CREDIT AGRICOLE BANK CJSC. The ultimate parent of the Company is Crédit Agricole SA (France).

(b) Armenian business environment

The Company's operations are located in Armenia. Consequently, the Company is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but 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 Armenia. The financial statements reflect management's assessment of the impact of the Armenian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that available-for-sale financial assets are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Company is the Armenian Dram (AMD) as, being the national currency of the RA, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The AMD is also the presentation currency for the purposes of these financial statements.

Financial information presented in AMD is rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the note 7 – Income tax expense, related to non-recognition of deferred tax assets for carry-forward tax losses.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The estimated fair values of all financial instruments measured at amortised cost approximate their carrying amounts.

Further information about the fair value measurements is included in the note 10 – investments available-for-sale.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements.

(a) Fund management

The Company manages assets held in investment funds on behalf of investors. The financial statements of these structures are not included in these financial statements as the Company is acting as agent for the investors in the funds.

(b) Revenue

(i) Fund management fees

Revenue from fund management are recognised as earned based on the amount of revenue that the Company is entitled for the period. Fund management fees are calculated based on the contractual rate of fees applied to the net asset value (NAV) of the funds managed.

(ii) Commissions

Other commission revenue is recognised as earned based on the amount of revenue that the Company is entitled for the period and the amount of commission agreed with the beneficiary of the services.

(iii) Interest income

Interest income is recognised using the effective interest method.

(c) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognised in other comprehensive income.

(d) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (current accounts) held with banks and term deposits with banks with an original maturity of three months or less. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(e) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for derivative that is a financial guarantee contract or a designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Company may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity, other than those that:

- the Company upon initial recognition designates as at fair value through profit or loss
- the Company designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method
- held-to-maturity investments that are measured at amortized cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost.

(iv) Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

(v) Fair value measurement principles

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 in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced either by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Company measures assets and long positions at the bid price and liabilities and short positions at the ask price.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vi) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss
- a gain or loss on an available-for-sale financial asset is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in profit or loss. Interest in relation to an available-for-sale financial asset is recognized in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

(vii) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Company is recognised as a separate asset or liability in the statement of financial position.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Company purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Company writes off assets deemed to be uncollectible.

(viii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

-	Leasehold improvement	13.3 years
-	Fixtures and fittings	3.3 years
-	Vehicles	3.3 years
-	Computers and other equipment	1 year

(g) Impairment of finacial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Company determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of financial asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a financial asset or group of financial assets that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and receivables. The Company reviews its loans and receivables to assess impairment on a regular basis.

The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Company uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(h) Impairment of non-finacial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(j) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

The ability of the Company to declare and pay dividends is subject to the rules and regulations of the Armenian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(k) Employee benefits

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 recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

(l) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2015, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Company plans to adopt these pronouncements when they become effective. The Company is assessing the potential impact on its financial statements resulting from the application of the new requirements.

New standard	Summary of the requirements
IFRS 9 *Financial Instruments*	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

New standard	Summary of the requirements
IFRS 15 *Revenue from Contracts with Customers*	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. The core principle of the new standard is that an entity recognises 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 or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
IFRS 16 *Leases*	IFRS 16 replaces the existing lease accounting guidance in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 *Revenue from Contracts with Customers* is also adopted.

4 Fee and commission income

	2015 AMD'000	2014 AMD'000
Fund management fees	116,837	22,300
Referral commissions	96,430	94,779
Other	4,208	-
	217,475	**117,079**

The aggregate NAV of all three funds managed by the Company at 31 December 2015 is AMD 16,187,771 thousand (2014: AMD 6,275,338 thousand).

5 Personnel expenses

	2015 AMD'000	2014 AMD'000
Employee compensation	157,744	157,382
Other personnel expenses and benefits	16,776	11,810
	174,520	**169,192**

6 Other expenses

	2015 AMD'000	2014 AMD'000
Custodian fees	31,704	6,044
Operating lease	30,737	20,129
Post and communication expenses	18,918	7,843
Fund administration and accounting expenses	15,464	11,202
Professional services received	16,261	9,801
Depreciation expense	12,103	6,142
Business trip expenses	5,960	13,216
Other	16,990	29,414
	148,137	**103,791**

The Company leases Computers and software and office premises under operating leases.

The lease contract for office premises is non-cancellable and has a lease term of four years. During 2015 AMD 26,555 thousand was recognized in operating lease expenses in respect of the premises lease (2014: AMD 16,835 thousand).

At 31 December, the future minimum lease payments under non-cancellable leases were payable as follows:

	2015 AMD'000	2014 AMD'000
Less than one year	26,555	23,220
Between one and five years	33,932	52,890
	60,487	**76,110**

7 Income tax expense

	2015 AMD'000	2014 AMD'000
Origination and reversal of temporary differences	10,478	15,174
Change in unrecognised deductible temporary differences	(10,478)	(15,174)
Total income tax expense	-	-

In 2015, the applicable tax rate for current and deferred tax is 20% (2014: 20%).

	2015 AMD'000	%	2014 AMD'000	%
Loss before tax	(85,202)		(112,734)	
Income tax at the applicable tax rate	17,040	20.0%	22,547	20.0%
Net non-deductible expenses	(6,562)	(7.7%)	(7,384)	(6.5%)
Change in unrecognized deferred tax assets	(10,478)	(12.3%)	(15,163)	(13.5%)
	-	-	-	-

Deferred tax assets have not been recognised in respect of the following items:

	2015 AMD'000	2014 AMD'000
Property and equipment	659	-
Tax losses	27,260	17,441
	27,919	**17,441**

The tax losses expire in 2018 to 2020. Deferred tax assets have not been recognised in respect of tax losses because of absence of convincing evidence that future taxable profits will be available against which the Company can utilise the benefits therefrom.

8 Cash and cash equivalents

	2015 AMD'000	2014 AMD'000
Current accounts with banks		
Largest 5 Armenian banks	14,574	42,521
Short-term deposits with banks		
Largest 5 Armenian banks	81,382	60,386
Total cash and cash equivalents	**95,956**	**102,907**

No cash and cash equivalents balances are impaired or past due.

As at 31 December 2015 and 2014 all the bank balances are held with a related party bank.

The fair value of the cash and cash equivalents balances approximate their carrying amounts.

9 Amounts due from banks

	2015 AMD'000	2014 AMD'000
Term deposits with banks		
Largest 5 Armenian banks	151,435	204,338
Total amounts due from related banks	**151,435**	**204,338**

No amounts due from banks balances are impaired or past due.

As at 31 December 2015 and 2014 all the bank balances are held with a related party bank.

The fair value of the amounts due from banks balances approximate their carrying amounts.

10 Investments available-for-sale

	2015 AMD'000	2014 AMD'000
Investments in pension funds		
AMUNDI-ACBA Fixed Income	62,525	58,637
AMUNDI-ACBA Conservative	159,195	101,132
AMUNDI-ACBA Balanced	66,142	62,122
Total investments available-for-sale	**287,862**	**221,891**

None of the fund shares held are quoted in an active market.

Per the RA legislation the Company is required to maintain a minimum level of investment of 1% in each of the funds that it manages.

At 31 December 2015 and 2014 the fair value measurement for investments available-for-sale have been categorised as a Level 2 fair value. The fair value of the investments have been determined based on the Company's share in the NAV of the funds. The valuation techniques used to estimate the fair values of underlying assets in the funds are as follows:

Valuation technique
Discounted cash flows: The valuation is based on the present value of expected payments, discounted using a risk-adjusted discount rate.
Market comparison technique: The valuation is based on the quoted prices of the same instruments.

Approximately 70% (2014: 73%) of the investments held by the Company have underlying assets in the funds denominated in AMD which mainly represent term deposits and current accounts with domestic banks and the RA Government bonds. The remaining assets mainly represent foreign exchange traded funds and bonds issued by the RA Government or domestic banks.

11 Property and equipment

AMD'000	Leasehold improvement	Fixtures and fittings	Vehicles	Computers and other equipment	Total
Cost					
Balance at 1 January 2015	27,614	19,250	13,523	589	60,976
Additions	120	-	-	-	120
Balance at 31 December 2015	**27,734**	**19,250**	**13,523**	**589**	**61,096**
Depreciation					
Balance at 1 January 2015	(732)	(2,039)	(2,979)	(392)	(6,142)
Depreciation	(2,073)	(5,776)	(4,057)	(197)	(12,103)
Balance at 31 December 2015	**(2,805)**	**(7,815)**	**(7,036)**	**(589)**	**(18,245)**
Carrying amount					
At 31 December 2015	**24,929**	**11,435**	**6,487**	**-**	**42,851**
Cost					
Balance at 1 January 2014	-	-	-	-	-
Additions	27,614	19,250	13,523	589	60,976
Balance at 31 December 2014	**27,614**	**19,250**	**13,523**	**589**	**60,976**
Depreciation					
Balance at 1 January 2014	-	-	-	-	-
Depreciation	(732)	(2,039)	(2,979)	(392)	(6,142)
Balance at 31 December 2014	**(732)**	**(2,039)**	**(2,979)**	**(392)**	**(6,142)**
Carrying amount					
At 31 December 2014	**26,882**	**17,211**	**10,544**	**197**	**54,834**

12 Other assets

	2015 AMD'000	2014 AMD'000
Receivables from referral commissions	24,413	99,324
Receivables from fund management	14,223	4,254
Total other financial assets	**38,636**	**103,578**
Prepayments	2,404	11,385
Other non-financial assets	1,704	1,451
Total other non-financial assets	**4,108**	**12,836**
Total other assets	**42,744**	**116,414**

Receivables from referral fees are from one counterparty which is related to the Company.

Receivables from fund management are receivable from funds under management.

No amounts receivable are impaired or past due.

13 Share capital

The authorised, issued and outstanding share capital comprises 2,500 ordinary shares (2014: 2,500). All shares have a nominal value of AMD 320,000 as at 31 December 2015 (2014: AMD 320,000).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Company.

14 Financial risk management

The major risks faced by the Company from its use of financial instruments are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The management is responsible for monitoring and implementation of risk mitigation measures and making sure that the Company operates within the established risk parameters.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Company does not account for any fixed-rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

Though the funds in which the Company has investments include fixed income assets, which are exposed to fair value changes due to changes in interest rates, it is not practicable to calculate the sensitivity of the fair value of investments in the funds as a result of reasonably possible changes in interest rates at the reporting dates (see note 10).

(ii) *Currency risk*

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The Company does not have material monetary assets in a foreign currency.

A weakening of the AMD against all other currencies at 31 December 2015 and 2014, would have increased equity by the amounts shown below due to increase in fair value of investments in the funds managed by the Company (see note 10). This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates and equity prices in currencies in which those are quoted, remain constant.

	2015 AMD'000	2014 AMD'000
10% depreciation of AMD	8,636	5,991

A strengthening of the AMD against the other currencies at 31 December 2015 and 2014 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company has policies and procedures for the management of credit exposures to invest in creditworthy banks. The credit policy is reviewed and approved by the management. The credit risk arises from bank balances (see notes 8 and 9) and commission receivables (see note 12).

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the management.

15 Capital management

The CBA sets and monitors capital requirements for the Company.

The Company defines as capital those items defined by statutory regulation as capital for pension fund managers. Under the current capital requirements, set by the CBA the Company has to maintain a minimum total equity of AMD 500,000 thousand. The Company was in compliance with the statutory capital requirements as at 31 December 2015 and 2014.

There were no changes in the Company's approach to capital management during the year.

16 Contingencies

(a) Litigation

Management is unaware of any significant actual, pending or threatened claims against the Company.

(b) Taxation contingencies

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

17 Related party transactions

(a) Control relationships

The Company's parent company is Amundi Asset Management SA (France). The ultimate parent of the Company is Crédit Agricole SA (France). The Company's parent and ultimate parent produce publicly available financial statements.

(b) Transactions with key management personnel

Total remuneration included in personnel expenses for the years ended 31 December 2015 and 2014 is as follows:

	2015 AMD'000	2014 AMD'000
Employee compensation	135,764	140,540
Other personnel expenses and benefits	14,214	8,911
	149,978	**149,451**

(c) Transactions with other related parties

The outstanding balances and the related average interest rates as at 31 December 2015 and related profit or loss amounts of transactions for the year ended 31 December 2015 with other related parties are as follows:

	Parent company		Entities with significant influence		Entities under common control	
	AMD'000	Interest rate	AMD'000	Interest rate	AMD'000	Interest rate
ASSETS						
Cash and cash equivalents						
- Current accounts	-	-	14,574	-	-	-
- Term deposits	-	-	81,382	12.1%	-	-
Amounts due from banks	-	-	151,435	14.1%	-	-
Other assets	24,413	-	-	-	-	-
LIABILITIES						
Other liabilities	4,629	-	50	-	1,418	-
Profit and loss						
Fee and commision income	96,430	-			-	-
Interest income	-	-	28,828	-	-	-
Other expenses	13,621	-	4,594	-	15,970	-

The outstanding balances and the related average interest rates as at 31 December 2014 and related profit or loss amounts of transactions for the year ended 31 December 2014 with other related parties are as follows:

	Parent company		Entities with significant influence		Entities under common control	
	AMD'000	Interest rate	AMD'000	Interest rate	AMD'000	Interest rate
ASSETS						
Cash and cash equivalents						
- Current accounts	-	-	42,521	-	-	-
- Term deposits	-	-	60,386	8.0%	-	-
Amounts due from banks	-	-	204,338	11.3%	-	-
Other assets	99,324	-	6	-	-	-
LIABILITIES						
Other liabilities	2,601	-	606	-	9,637	-
Profit and loss						
Fee and commision income	94,779	-	-	-	-	-
Interest income	-	-	38,411	-	-	-
Other expenses	2,601	-	4,918	-	11,202	-