Grant Thornton

Financial Statements and Independent Auditor's Report

"AMUNDI-ACBA ASSET MANAGEMENT" closed joint stock company

31 December 2014

Contents

Grant Thornton

Independent auditor's report

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To the Shareholders and Board of Directors of closed joint stock company "AMUNDI-ACBA ASSET MANAGEMENT":

We have audited the accompanying financial statements of the "AMUNDI-ACBA ASSET MANAGEMENT" closed joint stock company (the "Company"), which comprise the statement of financial position as of December 31, 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of the audited entity is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of "AMUNDI-ACBA ASSET MANAGEMENT" closed joint stock company as of December 31, 2014, and of its financial performance and its cash flows for the the year then ended in accordance with International Financial Reporting Standards.

Gagik Gyulbudaghyan
Managing partner

Vahagn Payan
Auditor

Grant Thornton CJSC
27 April, 2015
Yerevan

Statement of profit or loss and other comprehensive income

In thousand Armenian drams	Notes	Year ended December 31, 2014	For the period from November 19 to December 31, 2013
Interest and similar income	6	38,411	3,790
Net interest income		38,411	3,790
Fee and commission income	7	117,079	-
Fee and commission expense	7	(6,405)	(101)
Net fee and commission income/(expense)		110,674	(101)
Net loss from foreign currency transactions		(207)	-
Net gains from foreign exchange translation of non- trading assets		4,966	-
Staff costs	8	(169,192)	-
Other expenses	9	(97,386)	(15,337)
Loss before income tax		(112,734)	(11,648)
Income tax expense	10	-	-
Loss for the year		(112,734)	(11,648)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Net unrealized gains from changes in fair value from available-for-sale financial assets		1,891	-
Other comprehensive income for the year		1,891	-
Total comprehensive income for the year		(110,843)	(11,648)

The accompanying notes on pages 7 to 27 are an integral part of these financial statements.

Statement of financial position

In thousand Armenian drams	Notes	As of December 31, 2014	As of December 31, 2013
ASSETS			
Cash and cash equivalents	11	**102,907**	788,720
Amounts due from other financial institutions	12	**204,338**	-
Investments available for sale	13	**221,891**	-
Property, plant and equipment	14	**54,834**	-
Other assets	15	**116,414**	-
TOTAL ASSETS		**700,384**	788,720
LIABILITIES AND EQUITY			
Liabilities			
Other liabilities	16	**22,875**	368
Total liabilities		**22,875**	368
Equity			
Share capital	17	**800,000**	800,000
Other reserves		**1,891**	-
Accumulated loss		**(124,382)**	(11,648)
Total equity		**677,509**	788,352
TOTAL LIABILITIES AND EQUITY		**700,384**	788,720

The financial statements from pages 3 to 27 were signed by the Company's Executive Director and Chief Accountant on 27 April, 2015.

The accompanying notes on pages 7 to 27 are an integral part of these financial statements.

PHILIPPE CLAUDE ROUSSEAU
Executive Director

ARMEN HAKOBYAN
Chief accountant

Statement of changes in equity

In thousand Armenian drams	Share capital	Revaluation reserve of securities available for sale	Accumulated loss	Total
Balance as of November 19, 2013	-	-	-	-
Increase in share capital	800,000	-	-	800,000
Transactions with owners	800,000	-	-	800,000
Loss for the period	-	-	(11,648)	(11,648)
Total comprehensive income for the period	-	-	(11,648)	(11,648)
Balance as of December 31, 2013	**800,000**	**-**	**(11,648)**	**788,352**
Loss for the year	-	-	**(112,734)**	**(112,734)**
Other comprehensive income:				
Net unrealized gains from changes in fair value	-	**1,891**	-	**1,891**
Total comprehensive income for the year	-	**1,891**	**(112,734)**	**(110,843)**
Balance as of December 31, 2014	**800,000**	**1,891**	**(124,382)**	**677,509**

Statement of cash flows

In thousand Armenian drams	Year ended December 31, 2014	For the period from November 19 to December 31, 2013
Cash flows from operating activities		
Loss before income tax	(112,734)	(11,648)
Amortization and depreciation allowances	6,142	-
Interest receivable	(4,439)	-
Amounts payable	-	368
Foreign currency translation net income of non-trading assets and liabilities	(4,966)	-
Cash used in operating activities before changes in operating assets and liabilities	(115,997)	(11,280)
(Increase)/Decrease in operating assets		
Amounts due from other financial institutions	(199,899)	-
Purchase of investments	(220,000)	-
Other assets	(111,940)	-
(Increase)/Decrease in operating liabilities		
Other liabilities	22,362	-
Net cash used in operating activities before income tax	(625,474)	(11,280)
Income tax paid	-	-
Net cash used in operating activities	(625,474)	(11,280)
Cash flows from investing activities		
Purchase of property and equipment	(60,976)	-
Net cash used in investing activities	(60,976)	-
Cash flow from financing activities		
Proceeds from issue of share capital	-	800,000
Net cash from financing activities	-	800,000
Net increase/(decrease) in cash and cash equivalents	(686,450)	788,720
Cash and cash equivalents at the beginning of the year	788,720	-
Exchange differences on cash and cash equivalents	637	-
Cash and cash equivalents at the end of the year (Note 11)	102,907	788,720

Supplementary information:		
Interest received	36,964	3,790

Accompanying notes to the financial statements

1 Principal activities

"AMUNDI-ACBA ASSET MANAGEMENT" closed joint-stock company (the "Company") was incorporated in 2013 and is regulated by the legislation of RA. The Company was registered on 19.11.2013 by the Central Bank of Armenia under license number 2.

The principal activity of the Company is the management of mandatory pension funds. Clauses regarding the obligation to make mandatory payments according to the law on "Funded pensions" were effective from 1 January, 2014, consequently the main activity of the company started thereafter. Within the frames of mandatory funded pension system 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 Company's main office is located in Yerevan. The registered office of the Company is located at: 10 V. Sargsyan street, 100-101, Yerevan, RA.

2 Armenian business environment

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy.

As the number of variables and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Company may be affected. Accordingly, the financial statements of the Company do not include the effects of adjustments.

3 Basis of preparation

3.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board (IASB), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). As 2013 was the first year of the Company's activities, therefore comparative information is presented for the period from November 19 to December 31, 2013.The Company has launched its main activities started from January 2014.

3.2 Basis of measurement

The financial statements have been prepared on a fair value basis for financial assets and liabilities at fair value through profit or loss and available for sale assets. Other financial assets and liabilities are stated at amortized cost and non-financial assets and liabilities are stated at historical cost.

3.3 Functional and presentation currency

Functional currency of the Company is the currency of the primary economic environment in which the Company operates. The Company's functional currency and the Company's presentation currency is Armenian Drams ("AMD"), since this currency best reflects the economic substance of the underlying events and transactions of the Company. The financial statements are presented in thousands of AMD, which is not convertible outside Armenia.

3.4 Changes in accounting policies

In the current year the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2014.

IAS 32 (Amendment) *Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- The meaning of 'currently has a legally enforceable right of set-off': the amendments clarify that a right of set-off is required to be legally enforceable in the normal course of business, the event of default and the event of insolvency or bankruptcy of the entity and all of the counterparties, and that the right must also exist for all counterparties.
- Since there was diversity in practice related to the interpretation of 'simultaneous settlement' in IAS 32, the IASB has therefore clarified the principle behind net settlement and included an example of a gross settlement system with characteristics that would satisfy the IAS 32 criterion for net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the Company does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the [consolidated] financial statements for any period presented.

IAS 39 (Amendment) *Novation of Derivatives and Continuation of Hedge Accounting*

The Amendments to IAS 39 will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

IAS 36 (Amendment) *Recoverable Amount Disclosure for Non-Financial Assets*

These amendments clarify that the entity is required to disclose the recoverable amount of an asset (or cash generating unit) wherever an impairment loss has been recognized or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired asset is based on fair value less costs of disposal, including:

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made
- the discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively in accordance with their transitional provisions.

3.5 Standards and Interpretations not yet applied by the Company

At the date of authorization of these financial statements, certain new Standards, amendments and interpretations to the existing Standards have been published but are not yet effective. The Company has not early adopted any of these pronouncements.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement.

IFRS 9 Financial Instruments (2014)

The IASB recently released *IFRS 9 Financial Instruments* (2014), representing the completion of its project to replace *IAS 39 Financial Instruments: Recognition and Measurement.* The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.
The Company's management have yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.
The following new or amended standards are not expected to have a significant impact of the Company's financial statements.

- IFRS 14 *Regulatory Deferral Accounts.*
- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).*
- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).*
- *Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).*
- *Annual Improvements to IFRSs 2010–2012 Cycle.*
- *Annual Improvements to IFRSs 2011–2013 Cycle.*

4 Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied.

4.1 Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Expense is recognized to the extent that it is probable that the economic benefits will flow from the Company and the expense can be reliably measured. The following specific criteria must also be met before revenue is recognized:

Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the statement of profit or loss and other comprehensive income using the effective interest method.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Fee and commission income
Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Portfolio management fees are recorded based on the applicable service contracts. Asset management fees are recorded over the period the service is provided.

4.2 Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transactions. Gains and losses resulting from the translation of trading assets are recognised in the statement of profit or loss and other comprehensive income in net trading income, while gains less losses resulting from translation of non-trading assets are recognized in the statement of income in other income or other expense. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Differences between the contractual exchange rate of a certain transaction and the prevailing average exchange rate on the date of the transaction are included in gains less losses from trading in foreign currencies in net trading income.

The exchange rates at year-end used by the the Company in the preparation of the financial statements are as follows:

	December 31, 2014
AMD/1 EUR	559.54

During the 2013 period the Company has performed transactions exclusively in AMD.

4.3 Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

The Republic of Armenia also has various operating taxes, which are assessed on the Company's activities. These taxes are included as a component of other expenses in the statement of profit or loss and other comprehensive income .

4.4 Cash and cash equivalents

Cash equivalents comprise current account balances and short term time deposits in armenian banks, which can be converted into cash at short notice including highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are carried at amortised cost.

4.5 Financial instruments

The Company recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

When financial assets and liabilities are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition all financial liabilities, other than liabilities at fair value through profit or loss (including held for trading) are measured at amortized cost using effective interest method. After initial recognition financial liabilities at fair value through profit or loss are measured at fair value.

The Company classified its financial assets into the following categories: receivables, financial instruments at fair value through profit or loss, available for sale financial investments and held-to-maturity investments. The classification of investments between the categories is determined at acquisition based on the guidelines established by the management. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets at fair value through profit or loss
This category has two subcategories: financial assets held for trading and those designated at fair value through profit or loss. A financial asset is classified in this category if acquired for the purpose of selling in the short-term or if so designated by management from the initial acquisition of that asset.

Receivables
Receivables are financial assets with fixed or determinable payments, which arise when the Company provides money directly to a debtor with no intention of trading the receivable.

Available for sale financial instruments
Investments available for sale represent instruments that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or prices. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of profit or loss and other comprehensive income. However, interest calculated using the effective interest method is recognised in the statement of profit or loss and other comprehensive income. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payment is established.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis. Otherwise the investments are stated at cost less any allowance for impairment.

4.6 Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

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

Criteria used to determine that there is objective evidence of an impairment loss may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets 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 financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognised in the statement of income. If held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Company may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

4.7 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

4.8 Leases

Operating - Company as leasee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

4.9 Property, plant and equipment

Property, plant and equipment ("PPE") are recorded at historical cost less accumulated depreciation. If the recoverable value of PPE is lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value.

Property, plant and equipment ("PPE") are recorded at historical cost less accumulated depreciation. If the recoverable value of PPE is lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value.

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The following depreciation rates have been applied:

	Useful life (years)	Rate (%)
Computers	1	100
Vehicles	3.3	30
Leasehold improvements	13.3	7.5
Other fixed assets	3.3	30

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis. Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is incurred and when it satisfies the criteria for asset recognition. Major renovations are depreciated over the remaining useful life of the related asset.

4.10 Share capital

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends
Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

4.11 Offsetting
Financial assets and liabilities, and income and expenses, are offset and the net amount reported in the financial statements sheet 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.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

5 Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The most significant areas of judgements and estimates with regards to these financial statements are presented below:

Measurement of fair values
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 20).

Classification of investment securities
Securities owned by the Company comprise Pension funds of the RA. Upon initial recognition, the Company designates securities as available-for-sale financials assets with the recognition of changes in fair value through equity.

Related party transactions
In the normal course of business the Company enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Tax legislation
Armenian tax legislation is subject to varying interpretations. Refer to Note 18.

6 Interest and similar income and expense

In thousand Armenian drams	2014	For the period from November 19 to December 31,2013
Cash and cash equivalents	2,511	399
Amounts due from other financial institutions	35,900	3,391
Total interest and similar income	**38,411**	**3,790**

7 Fee and commission income and expense

In thousand Armenian drams	2014	For the period from November 19 to December 31,2013
Fund management fees	22,300	-
Other fees and commissions	94,779	-
Total fee and commission income	**117,079**	**-**
Custodians fee	6,044	-
Other expenses	361	101
Total fee and commission expense	**6,405**	**101**

8 Staff costs

In thousand Armenian drams	2014	For the period from November 19 to December 31,2013
Salary and other related payments	157,382	-
Other compensations	11,810	-
Total staff costs	**169,192**	**-**

9 Other expenses

In thousand Armenian drams	2014	For the period from November 19 to December 31,2013
Operating lease	20,129	-
Business trip expenses	13,216	-
Taxes, other than income tax, duties	13,211	268
Fund administration and accounting expenses	11,202	-
Consulting and other services	9,801	-
Communications	7,843	-
IT service expenses	7,337	-
Depreciation expense	6,142	-
Representative and advertising expenses	1,802	-
Insurance	1,758	-
Fixed and intangible assets maintenance	1,445	-
Security	223	-
Office supplies	316	-
Payments to guarantee fund	-	15,000
Other expenses	2,961	69
Total other income	**97,386**	**15,337**

10 Income tax expense

The corporate income tax within the Republic of Armenia is levied at the rate of 20% (2013: 20%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred income tax is calculated using the principal tax rate of 20%.

Numerical reconciliation between the tax expenses and accounting loss is provided below:

In thousand Armenian drams	2014	Effective rate (%)	For the period from November 19 to December 31,2013	Effective rate (%)
Loss before tax	(112,734)		(11,648)	
Income tax at the rate of 20%	(22,547)	(20)	(2,329)	(20)
Non-deductible expenses	8,377	7	62	1
Foreign exchange gains	(993)	-	-	-
Effect of unrecognized net deferred tax assets	15,163	13	2,267	19
Income tax expense	-	-	-	-

Deferred tax calculation in respect of temporary differences:

In thousand Armenian drams	As of December 31, 2013	Recognized in profit or loss	As of December 31, 2014
Other liabilities	-	1,259	1,259
Tax losses carried forward	2,267	15,174	17,441
Total deferred tax assets	2,267	16,433	18,700
Other liabilities	-	(1,270)	(1,270)
Total deferred tax liability	-	(1,270)	(1,270)
Unrecognized net deferred tax assets	(2,267)	(15,163)	(17,430)
Net deferred tax assets/(liability)	-	-	-

As at 31 December 2014 net deferred tax assets for AMD 15,163 thousand (2013: AMD 2,267 thousand) were not recognized due to uncertainty of their future utilization.

11 Cash and cash equivalents

In thousand Armenian drams	As of December 31, 2014	As of December 31, 2013
Bank accounts	42,521	5,330
Deposits for less than 90 days	60,386	783,390
Total cash and cash equivalents	**102,907**	**788,720**

12 Amounts due from other financial institutions

In thousand Armenian drams	As of December 31, 2014	As of December 31, 2013
Deposits in banks	204,338	-
Total amounts due from other financial institutions	**204,338**	**-**

13 Investments available for sale

In thousand Armenian drams	As of December 31, 2014	As of December 31, 2013
Investments in pension funds		
AMUNDI-ACBA Fixed Income	58,637	-
AMUNDI-ACBA Conservative	101,132	-
AMUNDI-ACBA Balanced	62,122	-
Total amounts due from other financial institutions	**221,891**	**-**

Each of these funds is a pension fund that has been legally established and conducts its trading activities in RA. The funds invest for the purpose of long-term capital growth and do not employ significant leverage. None of the funds are quoted in active markets. The aggregate net asset value (NAV) of all of the funds managed by the Company at 31 December 2014 is AMD 6,275,338 drams.

Due to RA appropriate legislation the Company is required to maintain a minimum level of investment of 1% in each of the funds that it manages, which cannot be redeemed prior to their termination and dissolution. The Company's maximum exposure to losses related to the funds is represented by the total of its investment in fund units and amounts due from funds.

14 Property, plant and equipment

In thousand Armenian drams

	Machinery and equipment	Vehicles	Fixtures and fittings	Capital investments on leased PPE	Total
COST					
At December 31, 2013	-	-	-	-	-
Additions	589	13,523	19,250	27,614	60,976
At December 31, 2014	**589**	**13,523**	**19,250**	**27,614**	**60,976**
ACCUMULATED DEPRECIATION					
At December 31, 2013	-	-	-	-	-
Expenses for the year	392	2,979	2,039	732	6,142
At December 31, 2014	**392**	**2,979**	**2,039**	**732**	**6,142**
CARRYING VALUE					
At December 31, 2014	**197**	**10,544**	**17,211**	**26,882**	**54,834**
At December 31, 2013	-	-	-	-	-

Fully depreciated items

As at 31 December 2014 the Company does not hold any fully depreciated assets.

Restrictions on title of fixed assets

As at 31 December 2014 the Company does not possess any fixed assets pledged as security for liabilities or whose title is otherwise restricted.

Contractual commitments

As at 31 December 2014 the Company does not any contractual commitments.

15 Other assets

In thousand Armenian drams

	As of December 31, 2014	As of December 31, 2013
Receivables on fund management	4,254	-
Debtors and other receivables	99,324	-
Total other financial assets	**103,578**	-
Prepayments	11,009	-
Expenses of future period	944	-
Settlements with employees	376	-
Materials	507	-
Total other non-financial assets	**12,836**	-
Total other assets	**116,414**	-

16 Other liabilities

In thousand Armenian drams	As of December 31, 2014	As of December 31, 2013
Accounts payables	20,434	-
Other	2,441	368
Total other liabilities	22,875	368

17 Equity

As of 31 December 2014 the Company's registered and paid-in share capital amounted to AMD 800,000 thousand. In accordance with the Company's statues, the share capital consists of 2,500 ordinary shares, all of which have par value of AMD 320,000.

The shareholders of the Company As of 31 December 2014 and 31 December 2013 are as follows:

In thousand Armenian drams		As of December 31, 2014
	Paid-in share capital	% of total paid-in capital
"AMUNDI" joint stock company (France)	408,000	51%
"ACBA-CREDIT AGRICOLE BANK" CJSC (Armenia)	392,000	49%
	800,000	100%

As of 31 December 2014, the Company did not possess any of its own shares.

18 Contingent liabilities and commitments

Tax and legal matters

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. Management believes that the Company has complied with all regulations and has completely settled all its tax liabilities.

As of 31 December 2014 there were no legal actions and complaints taken against the Company. Therefore, the Company has not made any respective provision related to such tax and legal matters.

Operating lease commitments – Company as a lessee

In the normal course of business the Company enters into commercial lease agreements for office equipment, central office.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

In thousand Armenian drams	2014	2013
Not later than 1 year	23,220	-
Later than 1 year and not later than 5 years	52,890	-
Total operating lease commitments	76,110	

19 Transactions with related parties

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of the present financial statements, related parties include shareholders, members of Company's Management as well as other persons and enterprises related with and controlled by them respectively.

The ultimate controlling party of the Company is "AMUNDI" joint stock company.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the period are as follows:

In thousand Armenian drams	2014	2013
	Share-holders and parties related with them	Share-holders and parties related with them
Statement of financial position		
Cash and cash equivalents		
At January 1	788,720	-
Increase	4,916,968	788,720
Decrease	(5,602,781)	-
At December 31	102,907	788,720
Amounts due from other financial institutions		
At January 1	-	-
Increase	3,404,721	-
Decrease	(3,200,383)	-
At December 31	204,338	-
Statement of profit or loss and other comprehensive income		
Interest income	38,411	3,790
Fee and commission income	94,779	-
Fee and commission expense	(121)	(101)
Net income on foreign currency transactions	430	-
Other expenses	(3,201)	-

During the period time deposits included bear interest rate of 8-13%.

Compensation of key management personnel was comprised of the following:

In thousand Armenian drams	2014
Salary and other related payments	114,707
Other compensations	8,166
Total key management compensation	**122,873**

20 Fair value of financial instruments

Financial and non-financial assets and liabilities measured at fair value in the statement of financial position are presented below. This hierarchy groups financial and non-financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and 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).

20.1 Financial instruments that are not measured at fair value

The table below presents the fair value of financial assets and liabilities not measured at their fair value in the statement of financial position and analyses them by the level in the fair value hierarchy into which teach fair value measurement is categorised.

In thousand Armenian drams	As of 31 December 2014				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
FINANCIAL ASSETS					
Cash and cash equivalents	-	102,907	-	102,907	102,907
Amounts due from other financial institutions	-	204,338	-	204,338	204,338
Investments available for sale	-	-	221,891	221,891	221,891
Other assets	-	103,578	-	103,578	103,578
FINANCIAL LIABILITIES					
Other liabilities	-	22,875	-	22,875	22,875

In thousand Armenian drams	As of 31 December 2013				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
FINANCIAL ASSETS					
Cash and cash equivalents	-	788,720	-	788,720	788,720
FINANCIAL LIABILITIES					
Other liabilities	-	368	-	368	368

Cash and cash equivalents, amounts due from other financial institutions

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates, which are mainly the same as current interest rates.

Investments available for sale

For funds that are not traded on an active market, the fair value was estimated as the net asset value(NAV)of pension funds.

21 Offsetting of financial assets and financial liabilities

In the ordinary course of business, the Company performs different operations with financial instruments which may be presented in net amounts 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.

As of December 31, 2014 the Company does not have financial assets and financial liabilities in the statement of financial position which are presented in net amount or will be offset due to presence of the master netting arrangements or similar agreements.

22 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

In thousand Armenian drams	As of December 31, 2014						
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	*Subtotal less than 12 months*	More than 1 year	*Subtotal over 12 months*	Total
ASSETS							
Cash and cash equivalents	102,907	-	-	*102,907*	-	-	102,907
Amounts due from other financial institutions	-	-	204,338	*204,338*	-	-	204,338
Investments available for sale	-	-	-	-	221,891	*221,891*	221,891
Other assets	-	4,254	99,324	*103,578*	-	-	103,578
Total	102,907	4,254	303,662	*410,823*	221,891	*221,891*	632,714
LIABILITIES							
Other liabilities	-	-	22,875	*22,875*	-	-	22,875
Total	-	-	22,875	*22,875*	-	-	22,875
Net position	102,907	4,254	280,787	*387,948*	221,891	*221,891*	609,839
Accumulated gap	102,907	107,161	387,948		609,839		

In thousand Armenian drams	As of December 31, 2013						
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Subtotal less than 12 months	More than 1 year	Subtotal over 12 months	Total
ASSETS							
Cash and cash equivalents	788,720	-	-	788,720	-	-	788,720
Total	788,720	-	-	788,720	-	-	788,720
LIABILITIES							
Other liabilities	368	-	-	368	-	-	368
Total	368	-	-	368	-	-	368
Net position	788,352	-	-	788,352	-	-	788,352
Accumulated gap	788,352	788,352	788,352		788,352		

23 Risk management

Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risks.

23.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit exposures arise principally in investment activities that bring debt securities and other debt instruments into the Company's asset portfolio.

As of 31 December 2014 there are no impaired assets in the Company.

The carrying amounts of the Company's financial assets best represent the maximum exposure to credit risk related to them, without taking account of any collateral held or other credit enhancements.

23.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Company classifies exposures to market risk into either trading or non-trading portfolios.

23.2.1 Market risk – Non-trading

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. As of 31 December 2014 the Company had no financial assets and liabilities in variable interest rates.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Positions are monitored on a daily basis

The tables below indicate the currencies to which the Company had significant exposure at 31 December 2014 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculated the effect of a reasonably possible movement of the currency rate against the Armenian dram, with all other variables held constant on the income. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

In thousand Armenian drams

	2014	
Currency	Change in currency rate in %	Effect on profit before tax
EUR	±2	±1,934

The Company's exposure to foreign currency exchange risk is as follow:

In thousand Armenian drams

	Armenian Dram	Freely convertible currencies	Total
ASSETS			
Cash and cash equivalents	93,281	9,626	102,907
Amounts due from other financial institutions	204,338	-	204,338
Investments available for sale	221,891	-	221,891
Other assets	4,254	99,324	103,578
	523,764	108,950	632,714
LIABILITIES			
Other liabilities	10,649	12,226	22,875
Total	10,649	12,226	22,875
Net position as at 31 December 2014	513,115	96,724	609,839

23.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The liquidity management of the Company requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources. The Company maintains a portfolio of highly marketable assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

23.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements, including the minimal requirements of the Central Bank of Armenia on internal control system;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation.

24 Capital adequacy

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The equity consists of share capital and accumulated loss.

The Central Bank of Armenia has set the minimal required total capital for mandatory pension fund managers at AMD 500,000 thousand.

25 Legislative regulations

The purpose of the Law on Funded Pensions (the "Law") is the creation of possibility to receive in the pension age pension incomes in addition to state pension for persons having made funded pension contributions during working activities in the Republic of Armenia by ensuring average direct link between amount of pension contributions and pensions to be received, as well as providing the opportunity for person making contribution to affect the amount of funded pensions by selecting, in accordance with Law, the person who will manage cumulated funds and the management policy of such funds.

Funded component of Republic of Armenia's pension system shall be regulated by Republic of Armenia Constitution, Republic of Armenia Civil Code, Republic of Armenia international agreements, Law, regulations adopted on the bases of the mentioned above Law, other Laws and regulations. Provisions of other Laws shall apply to relations regulated by the Law to the extent they do not contradict to this Law.

According to the decision of the Constitutional Court of the Republic of Armenia dated April 2, 2014, certain articles of the Law on "Funded Pensions" have been recognized unconstitutional and September 30, 2014 has been set as an expiration deadline for those articles by enabling the national Assembly of Armenia and the Government to ensure the compliance of RA Law on "Funded Pensions", other laws and other normative acts related to it with the requirements of this decision within their authority.

On 21 June 2014 by the RA law on "Changes to be performed in the RA law on pension funds" have been performed changes corresponding to the requirements of RA Constitution, which became effective on 1 July 2014.

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