



C-Quadrat Ampega  
Asset Management  
Armenia

**C-QUADRAT AMPEGA  
ASSET MANAGEMENT ARMENIA  
LIMITED LIABILITY COMPANY**

Financial Statements  
for the Year Ended December 31, 2017

# C-QUADRAT Ampega Asset Management Armenia LLC

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# C-QUADRAT Ampega Asset Management Armenia LLC

## Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended December 31, 2017

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Management is responsible for the preparation of the financial statements that present fairly the financial position of C-QUADRAT Ampega Asset Management Armenia LLC (the "Company" or "C-QUADRAT") as of December 31, 2017, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with Country legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Company for the year ended December 31, 2017 were approved by management on April 17, 2018.

On behalf of the Management:



**Arman Vardanyan**  
Chief Executive Officer



**Isabella Adilkhanyan**  
Chief Financial & Operations Officer

April 17, 2018  
Yerevan, Republic of Armenia

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of C-QUADRAT Ampega Asset Management Armenia LLC:

### **Opinion**

We have audited the accompanying financial statements of C-QUADRAT Ampega Asset Management Armenia LLC, which comprise the statement of financial position as at December 31, 2017, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of C-QUADRAT Ampega Asset Management Armenia LLC as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

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

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Srбуhi Hakobyan  
Executive Director

April 17, 2018  
Yerevan, Republic of Armenia



Arpine Ghevondyan  
Audit Director



# C-QUADRAT Ampega Asset Management Armenia LLC

## Statement of Financial Position at December 31, 2017

in AMD thousands	Notes	December 31, 2017	December 31, 2016
<b>Assets</b>			
Cash and cash equivalents	6	23,304	15,948
Due from banks		-	245,034
Financial assets at fair value through profit or loss	7	617,733	207,553
Property, equipment and intangible assets		9,185	8,801
Deferred tax assets	8	3,687	31,383
Other assets	9	52,739	31,988
<b>Total assets</b>		<b>706,648</b>	<b>540,707</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	10	650,000	650,000
Retained earnings/(accumulated deficit)		13,059	(139,600)
<b>Total equity</b>		<b>663,059</b>	<b>510,400</b>
<b>Liabilities</b>			
Payables and accrued expenses	11	43,589	30,307
<b>Total liabilities</b>		<b>43,589</b>	<b>30,307</b>
<b>Total equity and liabilities</b>		<b>706,648</b>	<b>540,707</b>

The financial statements were authorized for issue on April 17, 2018 by the Management.




**Arman Vardanyan** Chief Executive Officer
 
**Isabella Adilkhanyan** Chief Financial & Operations Officer

April 17, 2018  
 Yerevan, Republic of Armenia

The notes on pages 8-31 form an integral part of these financial statements.

# C-QUADRAT Ampega Asset Management Armenia LLC

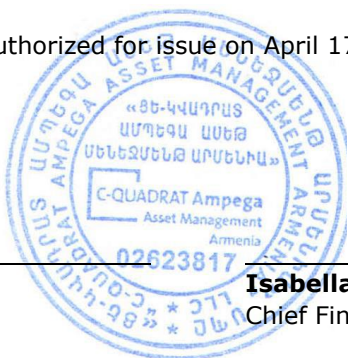
## Statement of Profit or Loss and Other Comprehensive Income for the Year Ended December 31, 2017

in AMD thousands	Notes	2017	2016
Income from management fees	12	441,229	244,414
Interest income	13	23,688	33,515
Other income		29	108
Net gain on financial assets at fair value through profit or loss	14	41,737	5,352
Fee and commission income		21	14
Fee and commission expense	15	(64,357)	(47,695)
Net loss from trading in foreign currencies		(628)	(358)
Foreign exchange translation gain/(loss)		2,364	(47)
Administrative and other expenses	16	(263,517)	(207,057)
<b>Profit before tax</b>		<b>180,566</b>	<b>28,246</b>
Income tax (expense)/benefit	8	(27,907)	29,189
<b>Profit for the year</b>		<b>152,659</b>	<b>57,435</b>
<b>Total comprehensive income for the year</b>		<b>152,659</b>	<b>57,435</b>

The financial statements were authorized for issue on April 17, 2018 by the Management.



**Arman Vardanyan**  
Chief Executive Officer




**Isabella Adilkhanyan**  
Chief Financial & Operations Officer

April 17, 2018  
Yerevan, Republic of Armenia

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# C-QUADRAT Ampega Asset Management Armenia LLC

## Statement of Changes in Equity for the Year Ended December 31, 2017

in AMD thousands	Note	Share Capital	Retained earnings/(accumulated deficit)	Total shareholders equity
<b>Balance at 31 December 2015</b>		<b>650,000</b>	<b>(197,035)</b>	<b>452,965</b>
Total comprehensive income for the year		-	57,435	<b>57,435</b>
<b>Balance at 31 December 2016</b>	10	<b>650,000</b>	<b>(139,600)</b>	<b>510,400</b>
Total comprehensive income for the year		-	152,659	<b>152,659</b>
<b>Balance at 31 December 2017</b>	10	<b>650,000</b>	<b>13,059</b>	<b>663,059</b>

The financial statements were authorized for issue on April 17, 2018 by the Management.



**Arman Vardanyan**  
Chief Executive Officer




**Isabella Adilkhanyan**  
Chief Financial & Operations Officer

April 17, 2018  
Yerevan, Republic of Armenia

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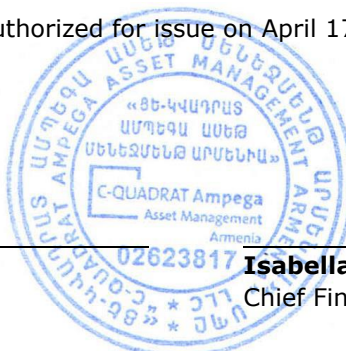
# C-QUADRAT Ampega Asset Management Armenia LLC

## Statement of Cash Flows for the Year Ended December 31, 2017

in AMD thousands	Note	2017	2016
<b>Cash flows from operating activities</b>			
Management fees received		421,633	230,286
Interest received		33,722	29,866
Salaries and related expenses paid		(91,749)	(80,328)
Commission expenses paid		(57,413)	(46,079)
Operations with foreign currencies		(628)	(358)
Prepayments, operating and administrative expenses paid		(164,097)	(118,247)
<b>Net cash from operating activities</b>		<b>141,468</b>	<b>15,140</b>
<b>Cash flows from investing activities</b>			
Investments in financial assets at fair value through profit or loss		(506,000)	-
Proceeds from sale of financial assets at fair value through profit or loss		137,544	-
Deposits placed with banks		(210,000)	(306,000)
Proceeds from deposits		445,000	206,000
Purchase of property, equipment and intangibles		(3,550)	(1,041)
<b>Net cash used in investing activities</b>		<b>(137,006)</b>	<b>(101,041)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,462</b>	<b>(85,901)</b>
Cash and cash equivalents at beginning of the year		15,948	101,858
Effect of exchange rate fluctuations on cash and cash equivalents		2,894	(9)
<b>Cash and cash equivalents at end of the year</b>	6	<b>23,304</b>	<b>15,948</b>

The financial statements were authorized for issue on April 17, 2018 by the Management.

  
**Arman Vardanyan**  
 Chief Executive Officer



  
**Isabella Adilkhanyan**  
 Chief Financial & Operations Officer

April 17, 2018  
 Yerevan, Republic of Armenia

The notes on pages 8-31 form an integral part of these financial statements.

# C-QUADRAT Ampega Asset Management Armenia LLC

## Notes to Financial Statements for the Year Ended December 31, 2017 (In thousands of Armenian Drams unless otherwise stated)

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### 1. Reporting entity

C-QUADRAT Ampega Asset Management Armenia LLC ("Company") was established on November 29, 2013 under the laws of the Republic of Armenia. The Company is registered in the Central Bank of the Republic of Armenia as Investment funds manager and was given License N3. The Company's registered office is 37 Hanrapetutyán Street, Yerevan, Republic of Armenia.

Regulating bodies of "C-QUADRAT Ampega Asset Management Armenia" LLC are Shareholders' General Assembly, Supervisory Board and Chief Executive Officer Arman Vardanyan. As at December 31, 2017 the company had 7 employees (2016: 6 employees).

The Company is ultimately controlled by "C-QUADRAT Investment AG", registered office located at Schottenfeldgasse 20, 1070 Vienna, Austria, the parent company of C-QUADRAT Group. Information about Company's shareholders is disclosed in Note 10.

The Company is a fund manager and operates the following mandatory pension funds:

- C-QUADRAT Ampega Fixed Income Pension Fund
- C-QUADRAT Ampega Conservative Pension Fund
- C-QUADRAT Ampega Balanced Pension Fund.

### Regulatory environment

Central Bank of Armenia oversees the conduct of the Company's business in many ways, and may perform regular examinations to monitor compliance with applicable statutes, regulations and rules. These statutes, regulations and rules cover all aspects of the business, including sales and marketing activities, trading practices, treatment of customer assets, continuing education requirements for employees, anti-money laundering practices, know your client policies, recordkeeping and reporting, and supervision regarding the conduct of directors, officers and employees.

### Armenian business environment

The Company's operations are conducted in the Republic of Armenia (RA). Consequently, the Company and its assets are exposed to the economic and financial markets of the Armenian Republic which display characteristics of an emerging market. The legal, currency, tax and regulatory frameworks continue development and are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Armenia.

As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Armenia and its economy in general. The Company's assets can be adversely affected by the general environment – economic, corporate, securities market, regulatory, and geopolitical developments all play a role in asset valuations, trading activity, interest rates and overall investor engagement, and are outside of the Company's control. Deterioration in credit markets, reductions in short-term interest rates, and decreases in securities valuations negatively impact the equity of the Company.

The future economic direction of Armenia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Management is unable to predict all developments which could have an impact on the financial sector and wider economy and consequently what effect, if any, they could have on the future earnings of the Company. Management believes it is taking all the necessary measures to support the sustainability and development of the Company. The accompanying financial statements reflect management's estimates of the potential effect of the current operating and business environment on the results and financial position. The future business environment may differ from management's estimates.

# C-QUADRAT Ampega Asset Management Armenia LLC

## Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

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As investment manager the Company is also subject to regulatory requirements relating to fiduciary duties to clients, performance fees, maintaining an effective compliance program, solicitation arrangements, conflicts of interest, advertising, limitations on agency cross and principal transactions between the advisor and advisory clients, recordkeeping and reporting requirements, disclosure requirements and general anti-fraud provisions.

Financial institutions generally must have anti-money laundering procedures in place, implement specialized employee training programs and designate an anti-money laundering compliance officer. Further, regulatory activity in the areas of privacy and data protection continues to grow worldwide and is generally being driven by the growth of technology and related concerns about the rapid and widespread dissemination and use of information. To the extent they are applicable to the Company, it must comply with these global, federal, and local information-related laws and regulations. Management has established policies, procedures and systems designed to comply with these regulations.

### Going concern

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

The Company was created in 2013 and its main purpose is the management of funds collected in the framework of Pension reforms introduced in Armenia starting from the year 2014. These reforms are described in the "Law of the Republic of Armenia on founded pensions" (hereinafter "Law") that defines the structure of the mandatory and voluntary funded pension components of the pension system of Republic of Armenia and the process of their management.

The case against mandatory payments was discussed at the Constitutional Court of the Republic of Armenia (hereinafter "Court") in 2014 and according to the decision of the Court made on April 2, 2014 certain points of the Law were assessed as anti-constitutional. On June 21, 2014 RA National Assembly accepted amendments to the Law, whereas the compulsory participation to the funded pension system was set for state employees only, and the private employees had the right to voluntarily join the system till July 1, 2017, and thereafter postponed till July 1, 2018, after which participation was to be compulsory for all sectors employees.

Naturally this affected the level of cash inflows to the pension funds and also to the Company in respect of its revenues. This turbulences and uncertainties led to irregular cash inflows to the funds under the Company's management. During the course of 2016 and 2017 the cash inflows to the Funds showed increased levels of volumes reaching from total of AMD 30,527 million under management as of December 31, 2016 to AMD 51,722 million of funds under management as at December 31, 2017. Correspondingly, the revenues of the Company increased significantly during 2017 reaching to AMD 441 million from the level of AMD 244 million for the comparative prior period. Management is of the belief that the Funds will continue to grow as the legislation comes into full force and implementation.

The commitment of the RA Government to reinforce the pension reforms and the law continues to be strong, which extends to the pension fund operators till the system is enforced as of July 1, 2018. The shareholders of the Company on their part have their continued commitment to the Company and endeavor to further support the revenues of the Company by considering introduction of complementary products and services in the area of fund management. As a result, management has stated that the going concern basis is appropriate for the preparation of these financial statements.

## 2. Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

# C-QUADRAT Ampega Asset Management Armenia LLC

## Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

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### 3. Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the following new and revised Standards and Interpretations have been adopted. These adoption of these new and revised Standards and Interpretations has not resulted in any significant impact on the financial performance or financial position of the Company.

- **Amendments to IAS 7 Disclosure Initiative**

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both cash and non-cash changes. The application of these amendments has had no impact on the Company's financial statements.

- **Amedments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses**

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements as the Company already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

- **Annual Improvements to IFRSs – 2014-2016 Cycle**

The Company has applied the amendments to IFRS 12 included in the *Annual Improvements to IFRSs 2014-2016 Cycle* for the first time in current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Company.

IFRS 12 states that an entity need not provide summarized financial information for interest in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interest.

The application of these amendments has had no effect on the Company's financial statements.

#### **New and revised IFRSs in issue but not yet effective**

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments <sup>1</sup>
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications) <sup>1</sup>
IFRS 16	Leases <sup>2</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle <sup>1</sup>
IFRIC 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

#### **IFRS 9 Financial Instruments**

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through

## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

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other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- **Classification and measurement of financial liabilities.** Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

**Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

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

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

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

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The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under IFRS 15, an entity recognizes revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016 the IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The management do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Company.

#### **IFRS 16 Leases**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The management of the Company anticipates that the application of IFRS 16 may have a significant impact on the amounts recognized in the Company's financial statements. However, the impact cannot be estimated until a full review has been carried out.

## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

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#### **Annual Improvements to IFRSs 2014-2016 Cycle**

The *Annual Improvements* include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Company. The package also includes amendments to IFRS 12 Disclosure of Interests in Other Entities which is mandatorily effective for the Company in the current year – see Note 4.4 for details of application.

The amendments to IAS 28 clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. The management of the Company do not anticipate that the application of the amendments in the future will have any impact on the Company's financial statements as the Company is neither a first-time adopter of IFRS nor a venture capital organization. Furthermore, the Company does not have any associate or joint venture that is an investment entity.

#### **IFRIC 22 Foreign Currency Transactions and Advance Consideration**

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The management of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements. This is because the Company already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.



# C-QUADRAT Ampega Asset Management Armenia LLC

## Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

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### 4. Significant accounting policies

#### 4.1 Basis of preparation

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

These financial statements are presented in thousands of Armenian Drams ("AMD thousand"), unless otherwise indicated.

These financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use for IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company maintains its accounting records in accordance with the law of Armenia. These financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

#### Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Armenian dram is the currency of the Republic of Armenia and the Company's functional and presentation currency. All financial information is presented rounded to the nearest thousands of dram, except when otherwise indicated.

#### Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when there is a legal enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

The principal accounting policies are set out below.

# C-QUADRAT Ampega Asset Management Armenia LLC

## Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

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### 4.2 Revenue recognition

#### Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

#### Asset management activities

Asset management fees are based upon daily balances of net asset value of the funds under the Company's management.

Assets under management and under custody of the Company are not assets of the Company and therefore are not recognized in the statement of financial position. The Company is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

#### Income from investments at fair value through profit or loss

The Company has investments in the units of the funds, including in funds under its management. The units are recognized at either quoted prices in active markets or at net asset value per unit acquired and subsequently measured at fair value through profit or loss. In the statement of profit or loss and other comprehensive income net gain from financial instruments at fair value through profit or loss includes all realized and unrealized fair value changes and foreign exchange differences, but excludes interest and dividend income.

### 4.3 Foreign currency

Transactions in foreign currencies are translated into the functional currency at the appropriate exchange closing rate at the dates of the transactions. In the absence of exchange closing rates, average daily exchange rate published by Central Bank of RA is used. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss as net foreign exchange gain (loss), except for those arising on financial instruments at fair value through profit or loss, which are recognized as a component of net gain or loss from financial instruments at fair value through profit or loss.

Below are the relevant exchange rates which were used by the Company for the purpose of these financial statements:

	Average Rate		Spot Rate	
	2017	2016	December 31, 2017	December 31, 2016
AMD/1 US Dollar	482.39	480.45	484.10	483.94
AMD/1 Euro	546.15	531.87	580.10	512.20

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# C-QUADRAT Ampega Asset Management Armenia LLC

## Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

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### 4.4 Financial instruments

The Company recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

**Financial assets.** Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held to maturity' ("HTM") investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**Financial assets at FVTPL.** Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the 'other gains and losses' and 'interest income' line item, respectively, in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described (see Note 18).

**Held to maturity investments.** Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortized cost using the effective interest method less any impairment.

If the Company were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Company would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

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**Available-for-sale financial assets.** Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the Company management considers that fair value can be reliably measured). Fair value is determined in the manner described (see Note 20). Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

**Loans and receivables.** Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market (including balances with the Central Bank of Armenia, due from banks, loans to customers and other financial assets) are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**Impairment of financial assets.** Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is 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.

## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

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For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

**Derecognition of financial assets.** The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

#### **Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL. Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

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A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'interest expenses' line item in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described (see Note 20).

**Other financial liabilities.** Other financial liabilities (including depository instruments, deposits by banks and customers, repurchase agreements, debt securities issued, other borrowed funds, subordinated debt and other financial liabilities) are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

**Derecognition of financial liabilities.** The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

#### 4.5 Cash and cash equivalents

Cash and bank balances in the statement of financial position comprise cash at banks with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of, as defined above, net of outstanding bank overdrafts.

# C-QUADRAT Ampega Asset Management Armenia LLC

## Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

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### 4.6 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is calculated based on the following annual rates:

Office equipment	5-10 years
Computer equipment	3-10 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### 4.7 Intangible assets

#### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset and, are recognized in profit or loss when the asset is derecognized.

Estimated useful lives of intangible assets is 5 years.

### 4.8 Impairment of non-current assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-

## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

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generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 4.9 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### **Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

##### **Current and deferred tax for the year**

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

#### 4.10 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.



## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

#### 5. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies.

Judgments and estimates that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year relate to accounting for financial instruments, particularly fair value measurements, and the recoverability of deferred tax assets recognised on the statement of financial position. The best evidence of fair value is price quotations in an active market. In the absence of quoted prices in an active market, the management uses other evaluation techniques, such as the comparative approach with similar instruments both in the internal and external markets. Information about the valuation techniques and inputs used in determining the fair value of financial instruments are disclosed in Note 19. Information on deferred tax assets is presented in Note 8.

#### 6. Cash and cash equivalents

Cash and cash equivalents in the amounts of AMD 23,304 thousand and AMD 15,948 thousand as at December 31, 2017 and 2016, respectively, are held in banks operating in the Republic of Armenia and other countries.

#### 7. Financial assets at fair value through profit or loss

	December 31, 2017	December 31, 2016
Units held in funds managed by the Company:		
C-QUADRAT Ampega Conservative Pension Fund – P	551,254	20,686
C-QUADRAT Ampega Balanced Pension Fund – P	42,603	37,205
C-QUADRAT Ampega Fixed Income Pension Fund – P	23,876	21,283
Units held in funds managed by C-Quadrat Group entities:		
Units in funds based in Germany	-	64,850
Units in funds based in Austria	-	63,529
<b>Total financial assets at fair value through profit or loss</b>	<b>617,733</b>	<b>207,553</b>

The Company values investments in funds using the latest net asset value per unit values, which the Company could transact at on the last working day of the reporting period.

See also note 18.

#### 8. Income tax

The Company measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the RA where the Company operates, which may differ from IFRS.

The Company is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2017 and 2016 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the RA on taxable profits (as defined) under tax law in that jurisdiction.

## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

	2017	2016
Current income tax recognized in profit or loss	211	-
Deferred tax charge/(credit) due to origination of temporary differences recognized in profit or loss	27,696	(29,189)
<b>Income tax expense / (benefit)</b>	<b>27,907</b>	<b>(29,189)</b>
Reconciliation of income tax benefit is as follows:		
Profit before income tax	180,566	28,246
Income tax at statutory income tax rate of 20%	36,113	5,649
Recognition of previously unrecognized deferred tax asset	-	(27,799)
Usage of previously unrecognized deferred tax asset	-	(6,442)
Non-taxable income	(10,108)	(1,070)
Non-deductible expenses	1,902	473
<b>Income tax expense/(benefit) at the effective income tax rate of</b>		
<b>15.45% (2016: (103.35%))</b>	<b>27,907</b>	<b>(29,189)</b>

Calculation of deferred tax on temporary differences is as follows:

<b>Deferred tax assets, including:</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Payables for professional services	600	600
Property and equipment	(108)	537
Payables to employees	3,195	2,447
Tax losses carried forward	-	27,799
<b>Total deferred tax assets</b>	<b>3,687</b>	<b>31,383</b>

<b>Deferred tax assets, including:</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Payables for professional services	600	500
Property and equipment	537	271
Payables to employees	2,447	1,423
Tax losses carried forward	27,799	-
<b>Total deferred tax assets</b>	<b>31,383</b>	<b>2,194</b>

Change in deferred tax assets for the year ended December 31, 2017 and December 31, 2016 of AMD 27,696 thousand and (AMD 29,189 thousand), respectively, were recognized in profit or loss.

During the reporting period the Company fully utilized the deferred tax assets in respect of its brought forward tax losses in the amount of AMD 27,799 thousand.

#### 9. Other assets

	December 31, 2017	December 31, 2016
<b>Other financial assets</b>		
Management fees receivable	47,063	27,467
<b>Other non-financial assets</b>		
Prepayments given for goods and services	4,417	3,704
Deferred expenses	1,259	817
<b>Total other assets</b>	<b>52,739</b>	<b>31,988</b>

#### 10. Share capital

Company's share capital equals AMD 650,000 thousands, which consists of 650,000 shares. Nominal amount of each share equals 1,000 AMD. Company's share capital is fully paid by its shareholders.

The shareholders of the Company are "C-QUADRAT Investment AG", registered at Schottenfeldgasse 20, 1070 Vienna, Austria, registration number FN 55148a and "Talanx Asset Management" LLC, registered at Charles-de-Gaulle-Platz 1, Germany, 50679 Cologne, registration number HRB 61047.

## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

Share of each shareholder in Company's share capital as of December 31, 2017 and December 31, 2016 is as following:

<b>Shareholder</b>	<b>Shareholding</b>	
"C-Quadrat Investment AG"	486,850	74.9%
"Talanx Asset Management" LLC	163,150	25.1%
<b>Total share capital</b>	<b>650,000</b>	<b>100%</b>

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

The Company's distributable reserves among participants are limited to the amount of its accumulated retained earnings as disclosed in its statutory accounts in accordance with the legislation of the RA. Non-distributable reserves are represented by a main reserve fund, which is created as required by the statutory regulations, in respect of general risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Charter of the Company that provides for the creation of a reserve for these purposes of 5% of Share capital. As at December 31, 2017 the Company had accumulated earnings in the amount of AMD 13,059 thousand (December 31, 2016: accumulated loss AMD 139,600 thousand).

#### 11. Payables and accrued expenses

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>Other financial liabilities:</b>		
Payables for professional services	18,398	11,458
Depository fees payable	6,409	3,615
Other payables	240	1,308
	<b>25,047</b>	<b>16,381</b>
<b>Other non-financial liabilities:</b>		
Unused vacation reserve	15,975	12,233
Other accruals	2,567	1,693
	<b>18,542</b>	<b>13,926</b>
<b>Total payables and accrued expenses</b>	<b>43,589</b>	<b>30,307</b>

#### 12. Income from management fees

The Company receives management fees from the funds under its management. The management fee is accrued daily at a specified annual rate on the net asset value of the funds. The rates for management fees are specified in the respective fund rules.

	<b>2017</b>	<b>2016</b>
<b>Funds under management</b>		
C-QUADRAT Ampega Conservative Pension Fund – P	432,716	239,314
C-QUADRAT Ampega Balanced Pension Fund – P	5,750	3,441
C-QUADRAT Ampega Fixed Pension Fund – P	2,763	1,659
<b>Total income from management fees</b>	<b>441,229</b>	<b>244,414</b>

#### 13. Interest Income

Interest income for the year represents interest accrued on deposits placed with banks and cash and cash equivalents. Effective interest rate during the year comprised 13.56% on funds held with financial institutions operating in the Republic of Armenia (2016: 13.67%).

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

	<b>2017</b>	<b>2016</b>
Realized gains from sale of units held in funds	9,178	-
Unrealized net gains on fair value change of units held in funds	32,559	5,352
<b>Total net gain on financial assets at fair value through profit or loss</b>	<b>41,737</b>	<b>5,352</b>

## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

#### 15. Fees and commission expense

	2017	2016
State Depository fees	60,225	43,640
Fees and commission to local banks and stock exchange	3,260	679
Fees and commission to international banks	872	3,376
<b>Total fees and commission expenses</b>	<b>64,357</b>	<b>47,695</b>

#### 16. Administrative and other expenses

	2017	2016
Professional Services	112,383	74,419
Salaries	93,547	85,633
Taxes other than on income	25,135	17,437
Operating lease	14,735	14,735
Business trips and other personnel expenses	6,035	6,322
Communication services	4,149	2,982
Depreciation and amortization	3,167	2,606
Other	4,366	2,923
<b>Total administrative and other expenses</b>	<b>263,517</b>	<b>207,057</b>

#### 17. Commitments and contingencies

##### Tax risks

Laws and regulations affecting business in the Republic of Armenia continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Company may be challenged by the relevant authorities. Tax authorities have historically taken a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

##### Legal matters and risks

In the ordinary course of business, the Company is subject to legal actions and complaints, as well as adverse changes in the legislative environment it operates in. Management believes that the ultimate liability, if any, arising from claims and complaints, both presented and potential, will not have a material adverse effect on the Company's financial position or the results of its future operations and is less than probable, accordingly no corresponding accrual was provided in these financial statements.

##### Lease commitments

Operating lease relates to the office area with lease term of three year. The Company does not have an option to purchase the leased asset at the expiry of the lease period. Future minimum rentals payable under non-cancellable operating leases as at December 31, are as follows:

	December 31, 2017	December 31, 2016
Less than 1 year	17,682	17,682
Later than 1 year and not later than 5 years	2,210	2,210
<b>Total operating lease commitments</b>	<b>19,892</b>	<b>19,892</b>

##### Commitments for co-investment in funds under management

The Company is subject to regulatory requirement to hold 1% co-investment in pension funds under its management. This and other statutory and normative requirements are subject to monitoring by the Central Bank of Armenia.

# C-QUADRAT Ampega Asset Management Armenia LLC

## Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

### 18. Fair value of financial instruments

This note provides information about how the Company determines fair values of various financial assets and financial liabilities.

#### Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	December 31, 2017	December 31, 2016				
Financial assets at fair value through profit or loss:						
Units in Funds	617,733	79,174	Level 2	Latest published net asset value per unit as at reporting date	N/A	N/A
Units in Funds	-	128,379	Level 1	Quoted prices in active markets	N/A	N/A
	<b>617,733</b>	<b>207,553</b>				

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

There were no transfers between Levels 1 and 2 in the period.

#### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Because of the short term nature of financial assets and financial liabilities that are not measured at fair value on a recurring basis, management believes that their carrying amounts approximate their fair values. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability, however given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or settlement of liabilities.

### 19. Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern, while maximizing the return to its stakeholders. The capital structure of the Company consists of equity, comprising issued capital, and retained earnings as disclosed in statement of changes in equity. The Company's overall capital risk management policy remained unchanged during 2016 and 2017.

The adequacy of the Company's capital is monitored using, among other measures, the prudential standards established by the Central Bank of Armenia. According to the Central Bank of Armenia regulation 10/02 the minimum size of the total regulatory capital of the Company should be no less than AMD 500,000 thousand, calculated on an average daily basis per calendar month in accordance with 10/02 regulation.

As of December 31, 2017 the Company was in compliance to the standards established by the Central Bank of Armenia.

## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

#### 20. Financial risk management

The Company's overall risk management program focuses on the unpredictability and inefficiency of the Armenian financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company's senior management oversees the management of these risks and financial risk-taking activities are governed by appropriate policies and procedures so that financial risks are identified, measured and managed in accordance with the Company's policies.

The Company is exposed to credit risk, liquidity risk and market risk. The policies for managing each of these risks are summarized below.

##### Credit risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The Company bears credit risk primarily on investing activities and bank balances. Currently the investments of the company are in the units of the funds under its management and no separate monitoring of these investments is performed.

The Company has responsibility for the oversight of credit risk and is responsible for management of the Company's credit risk, including formulating credit policies, covering collateral requirements, credit assessment, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, and by issuer, credit rating band, market liquidity and country. Management regularly reviews asset quality.

As at December 31, 2017 and 2016, credit risk exposure of assets is presented in the table below:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>Country</b>	<b>Credit rating</b>
Cash and cash equivalents	23,304	15,948	Armenia	Unrated
Due from banks	-	245,034	Armenia	Unrated
Financial assets at fair value through profit or loss	617,733	79,174	Armenia	Unrated 4 star,
Financial assets at fair value through profit or loss	-	64,850	Germany	Morningstar 3 star,
Financial assets at fair value through profit or loss	-	63,529	Austria	Morningstar
Other financial assets	47,063	27,467	Armenia	Unrated
	<b>688,100</b>	<b>496,002</b>		

As at reporting date none of the financial assets are past due or impaired.

##### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company maintains excess liquidity in the form of current account in banks to cover daily funding needs.

Factors which affect the cash position and cash flows include activities of the funds under management from which the Company receives management fees, and the balances on the current bank accounts and due from banks from where the Company earns interest income. However, currently and estimatedly during the next 2-3 years the main source of the liquidity of the company is the shareholder capital.

The Company's policy to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions. In the table below the financial assets and liabilities, as recognized in the statement of financial position as at December 31, 2017 and 2016, are presented on a discounted basis and are based on their expected cash flows. Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

Management holds a portfolio of securities that are liquid and can be used to meet outflows of financial liabilities. Management estimates that undiscounted cash flows for financial liabilities approximates the information presented in the below table and is not separately presented.

	December 31, 2017					
	Carrying amount	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	No maturity
<b>Financial assets</b>						
Cash and cash equivalents	23,304	23,304	-	-	-	-
Financial assets at fair value through profit or loss	617,733	-	-	-	-	617,733
Other financial assets	47,063	47,063	-	-	-	-
<b>Total financial assets</b>	<b>688,100</b>	<b>70,367</b>	-	-	-	<b>617,733</b>
<b>Financial liabilities</b>						
Other financial liabilities	25,047	25,047	-	-	-	-
<b>Total financial liabilities</b>	<b>25,047</b>	<b>25,047</b>	-	-	-	-
<b>Net position</b>	<b>663,053</b>	<b>45,320</b>	-	-	-	<b>617,733</b>

	December 31, 2016					
	Carrying amount	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	No maturity
<b>Financial assets</b>						
Cash and cash equivalents	15,948	15,948	-	-	-	-
Due from banks	245,034	-	-	245,034	-	-
Financial assets at fair value through profit or loss	207,553	-	-	-	-	207,553
Other financial assets	27,467	27,467	-	-	-	-
<b>Total financial assets</b>	<b>496,002</b>	<b>43,415</b>	-	<b>245,034</b>	-	<b>207,553</b>
<b>Financial liabilities</b>						
Other financial liabilities	16,381	16,381	-	-	-	-
<b>Total financial liabilities</b>	<b>16,381</b>	<b>16,381</b>	-	-	-	-
<b>Net position</b>	<b>479,621</b>	<b>27,034</b>	-	<b>245,034</b>	-	<b>207,553</b>

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Company's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company manages its investment inventory by product type and on a daily basis.

#### Interest rate risk

The Company is exposed to the risk that the fair value or income / future cash flows of its financial instruments portfolio will fluctuate as a result of fluctuations in market interest rates. In respect of the Company's interest-bearing financial instruments, the Company's policy is to transact in financial instruments that mature such that they best correspond to the maturity of financial liabilities. Nevertheless, the impact of interest rate risk can be high due to fluctuations in the prevailing levels of market interest rates.

Interest income is affected by changes in the volume and mix of these assets as well as by fluctuations in interest rates and portfolio management strategies. When interest rates fall, the Company may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields. At December 31, 2017 and 2016 all interest bearing financial instruments were fixed interest rate bearing instruments, as presented below:

## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

	December 31, 2017						
	Carrying amount	Fixed interest bearing					Non-interest bearing
		Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	
<b>Financial assets</b>							
Cash and cash equivalents	23,304	12,828	-	-	-	-	10,476
Financial assets at fair value through profit or loss	617,733	-	-	-	-	-	617,733
Other financial assets	47,063	-	-	-	-	-	47,063
<b>Total financial assets</b>	<b>688,100</b>	<b>12,828</b>	-	-	-	-	<b>675,272</b>
<b>Financial liabilities</b>							
Other financial liabilities	25,047	-	-	-	-	-	25,047
<b>Total financial liabilities</b>	<b>25,047</b>	-	-	-	-	-	<b>25,047</b>
<b>Net position</b>	<b>663,053</b>	<b>12,828</b>	-	-	-	-	<b>650,225</b>

	December 31, 2016						
	Carrying amount	Fixed interest bearing					Non-interest bearing
		Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	
<b>Financial assets</b>							
Cash and cash equivalents	15,948	9,810	-	-	-	-	6,138
Due from banks	245,034	-	-	245,034	-	-	-
Financial assets at fair value through profit or loss	207,553	-	-	-	-	-	207,553
Other financial assets	27,467	-	-	-	-	-	27,467
<b>Total financial assets</b>	<b>496,002</b>	<b>9,810</b>	-	<b>245,034</b>	-	-	<b>241,158</b>
<b>Financial liabilities</b>							
Other financial liabilities	16,381	-	-	-	-	-	16,381
<b>Total financial liabilities</b>	<b>16,381</b>	-	-	-	-	-	<b>16,381</b>
<b>Net position</b>	<b>479,621</b>	<b>9,810</b>	-	<b>245,034</b>	-	-	<b>224,777</b>

As none of the cash flows from Company's financial instruments as at December 31, 2017 and 2016 are linked to floating interest rates, the Company does not prepare and present interest rate risk sensitivity analysis due to no impact on profit or loss or equity in this respect.

The table below presents weighted average interest rates on interest bearing instruments based on reports reviewed by the Company. These interest rates are an approximation of the yields to maturity of these assets.

	December 31, 2017	December 31, 2016
In % p.a.	AMD	AMD
Interest bearing assets	13.56%	13.07%
Interest bearing liabilities	-	-

#### Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company's exposure to foreign currency exchange rate risk is presented in the table below:



## C-QUADRAT Ampega Asset Management Armenia LLC

### Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

	December 31, 2017		
	AMD	EUR	Total
<b>Non-derivative financial assets</b>			
Cash and cash equivalents	13,520	9,784	23,304
Financial assets at fair value through profit or loss	617,733	-	617,733
Other financial assets	47,063	-	47,063
<b>Total non-derivative financial assets</b>	<b>678,316</b>	<b>9,784</b>	<b>688,100</b>
<b>Non-derivative financial liabilities</b>			
Other financial liabilities	25,047	-	25,047
<b>Total non-derivative financial liabilities</b>	<b>25,047</b>	<b>-</b>	<b>25,047</b>
<b>Net position</b>	<b>653,269</b>	<b>9,784</b>	<b>663,053</b>

	December 31, 2016		
	AMD	EUR	Total
<b>Non-derivative financial assets</b>			
Cash and cash equivalents	15,758	190	15,948
Due from banks	245,034	-	245,034
Financial assets at fair value through profit or loss	79,174	128,379	207,553
Other financial assets	27,467	-	27,467
<b>Total non-derivative financial assets</b>	<b>367,433</b>	<b>128,569</b>	<b>496,002</b>
<b>Non-derivative financial liabilities</b>			
Other financial liabilities	16,381	-	16,381
<b>Total non-derivative financial liabilities</b>	<b>16,381</b>	<b>-</b>	<b>16,381</b>
<b>Net position</b>	<b>351,052</b>	<b>128,569</b>	<b>479,621</b>

An analysis of sensitivity of profit or loss and equity to changes in fair value of monetary assets and liabilities held at December 31, 2017 and 2016 due to reasonably possible changes in corresponding exchange rates, with all other variables held constant, is presented below:

	2017		2016	
	Profit or loss /equity		Profit or loss /equity	
	Weakening	Strengthening	Weakening	Strengthening
EUR 20% movement (2016: 20%)	1,957	(1,957)	25,714	(25,714)

#### Other price risks

The Company is exposed to unit price risks arising from units held in funds. Unitholdings in funds are held for statutory, strategic and investment purposes rather than for trading purposes. The Company does not actively trade these unitholdings.

The sensitivity analyses below have been determined based on the exposure to unit price risks at the end of the reporting period.

If unit prices had been 5% higher/lower, profit for 2017 year would increase/decrease by AMD 30,887 thousand as a result of the changes in fair value of financial assets at fair value through profit or loss (2016: loss decreased/increased by AMD 10,377 thousands).

# C-QUADRAT Ampega Asset Management Armenia LLC

## Notes to Financial Statements for the Year Ended December 31, 2017 (continued) (In thousands of Armenian Drams unless otherwise stated)

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### 21. Related party disclosures

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

The Company's immediate and ultimate parents are disclosed in Notes 1 and 10. The Company's ultimate controlling party is "C-QUADRAT Investment AG", the parent company of C-QUADRAT Group. The shares of "C-QUADRAT Investment AG" are listed both on the Frankfurt Stock Exchange (Prime Standard) and on the Vienna Stock Exchange (Standard Market Auction), with four principal shareholders being Cubic (London) Limited (United Kingdom) (33,00%), T.R. Privatstiftung (Austria) (20,20%) and San Gabriel Privatstiftung (Austria) (15.68%), with the latter three being parties to a syndication agreement. Laakman Holding Ltd (Cyprus) also has a 17.28% interest in "C-QUADRAT Investment AG".

<b>Statement of financial position</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Units held in funds managed by the Company	617,733	79,174
Units held in funds managed by C-Quadrat Group entities	-	128,379
Payables to C-Quadrat Group entities for professional services	(9,175)	(4,623)
Management fee receivable	47,063	27,467

<b>Statement of profit or loss and other comprehensive income</b>	<b>2017</b>	<b>2016</b>
Income from management fees	441,229	244,414
Net gain on financial assets at fair value through profit or loss	41,737	5,352
Professional services fees to C-Quadrat Group entities	(67,489)	(34,176)

Key management compensation comprising of short term benefits amounted to AMD 68,629 thousand (2016: AMD 59,986 thousand) and were included in administrative and other expenses for the year.