"AMUNDI-ACBA ASSET MANAGEMENT" Closed Joint-Stock Company

Financial statements

For the year ended 31 December 2019
together with independent auditor's report

Contents

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Independent auditor's report

To the Shareholders and Board of Directors of
"AMUNDI-ACBA ASSET MANAGEMENT" CJSC

Opinion

We have audited the financial statements of "AMUNDI-ACBA ASSET MANAGEMENT" CJSC (the Company), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with 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 the Board of Directors 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.

The Board of Directors is 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 the Board of Directors 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.

Ernst & Young CJSC
Yerevan, Armenia

General Director
Partner (Assurance)

Eric Hayrapetyan

14 April 2020

Statement of financial position
As at 31 December 2019

	Notes	2019 AMD'000	2018 AMD'000
Assets			
Cash and cash equivalents	7	64,677	100,460
Amounts due from financial institutions	8	207,653	202,758
Investments measured at FVOCI	9	1,254,455	873,965
Property, plant and equipment	10	64,016	26,039
Deferred tax asset	11	4,589	2,457
Other assets	12	119,564	113,094
Total assets		**1,714,954**	**1,318,773**
Liabilities			
Current income tax liability		48,962	70,356
Other liabilities	13	147,083	30,424
Total liabilities		**196,045**	**100,780**
Equity			
Share capital	14	800,000	800,000
General reserve		13,330	-
Revaluation reserve of investment securities	9	281,887	151,397
Retained earnings		423,692	266,596
Total equity		**1,518,909**	**1,217,993**
Total equity and liabilities		**1,714,954**	**1,318,773**

Signed and authorised for release by the Company's Executive Director and Chief Accountant on 14 April 2020.

Jean Mazedjian
Executive Director

Misak Isajanyan
Chief Accountant

The accompanying notes on pages 5-25 form an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2019

	Notes	*2019 AMD'000*	*2018 AMD'000*
Fee and commission income	15	1,135,608	816,476
Interest and similar income		19,715	13,393
Other income		86	–
Net loss from foreign currency transactions		(249)	(307)
Staff costs	16	(79,239)	(78,703)
Administrative and other expenses	17	(541,326)	(363,034)
Profit before income tax		**534,595**	**387,825**
Income tax expense	11	(110,903)	(79,671)
Profit for the year		**423,692**	**308,154**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Unrealised gains on investments measured at FVOCI		130,490	27,908
Other comprehensive income for the year, net of tax		**130,490**	**27,908**
Total comprehensive income for the year		**554,182**	**336,062**

The accompanying notes on pages 5-25 form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2019

	Share capital AMD'000	*Revaluation reserve of investment securities AMD'000*	*General reserve AMD'000*	*Retained earnings AMD'000*	*Total equity AMD'000*
Balance as at 31 December 2017	**800,000**	**123,489**	**–**	**(41,032)**	**882,457**
Impact of adopting IFRS 9	–	–	–	(526)	**(526)**
Restated opening balance under IFRS 9	**800,000**	**123,489**	**–**	**(41,558)**	**881,931**
Profit for the year	–	–	–	308,154	**308,154**
Other comprehensive income	–	27,908	–	–	**27,908**
Total comprehensive income for the year	**–**	**27,908**	**–**	**308,154**	**336,062**
Balance as at 31 December 2018	**800,000**	**151,397**	**–**	**266,596**	**1,217,993**
Profit for the year	–	–		423,692	**423,692**
Transfer to general reserve	–	–	13,330	(13,330)	**–**
Other comprehensive income	–	130,490	–	–	**130,490**
Total comprehensive income for the year	**–**	**130,490**	**13,330**	**410,362**	**554,182**
Dividends to shareholders	–	–	–	(253,266)	**(253,266)**
Balance as at 31 December 2019	**800,000**	**281,887**	**13,330**	**423,692**	**1,518,909**

The accompanying notes on pages 5-25 form an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2019

	Notes	*2019* *AMD'000*	*2018* *AMD'000*
Cash flows from operating activities			
Profit before income tax		534,595	387,825
Adjustments			
Depreciation	17	29,146	4,096
Impairment of financial assets measured at amortised cost	17	931	119
Interest income		(15,416)	(1,911)
Interest expense	17	6,301	–
Net (loss)/gain from foreign currency translation differences		249	(307)
Cash flows from operating activities before changes in operating assets and liabilities		**555,806**	**389,822**
Net (increase)/decrease in operating assets			
Other assets		(9,971)	(31,754)
Net increase/(decrease) in operating liabilities			
Other liabilities		70,536	(8,263)
Net cash flows from operating activities before income tax		**616,371**	**349,805**
Income tax paid		(134,430)	(21,902)
Net cash flows from operating activities		**481,941**	**327,903**
Cash flows from investing activities			
Deposits placed in banks		(420,000)	(460,000)
Proceeds from deposits placed in banks		429,584	364,764
Purchase of investment at FVOCI		(250,000)	(240,000)
Purchase of property, plant and equipment		–	(1,822)
Net cash flows used in investing activities		**(240,416)**	**(337,058)**
Cash flows from financing activities			
Dividends paid to the shareholders		(253,266)	–
Payment of principal portion of lease liability		(16,333)	–
Interest paid on lease liability		(6,301)	–
Net cash flows used in financing activities		**(275,900)**	**–**
Net decrease in cash and cash equivalents		**(34,375)**	**(9,155)**
Cash and cash equivalents at the beginning of the year		100,460	110,457
Effect of ECL on cash and cash equivalents		49	(123)
Effect of exchange rates changes on cash and cash equivalents		(1,457)	(719)
Cash and cash equivalents at the end of the year	7	**64,677**	**100,460**

The accompanying notes on pages 5-25 form an integral part of these financial statements.

1. Principal activities

"AMUNDI-ACBA ASSET MANAGEMENT" closed joint-stock company (the "Company") was incorporated in 2013 and is regulated by the legislation of the Republic of Armenia ("RA"). The Company was registered on 19 November 2013 by the Central Bank of Armenia under license number 2.

The principal activity of the Company is the management of mandatory pension funds. Clauses regarding the obligation to make mandatory payments according to the law on "Funded pensions" were effective from 1 January 2014, consequently the main activity of the company started thereafter. Within the frames of mandatory funded pension system the following three funds are under the management of the Company:

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

The Company's main office is located in Yerevan. The registered office of the Company is located at 10 V. Sargsyan street, 100-101, Yerevan, RA.

2. Armenian business environment

Armenia continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Management believes that it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

3. Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company prepares statements for regulatory purposes in accordance with legislative requirements of the RA. These financial statements are based on the Company's books and records as adjusted and reclassified in order to comply with IFRS.

Basis of measurement

The financial statements have been prepared on a fair value basis for financial assets and liabilities at fair value through profit or loss and through other comprehensive income, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities, as well as non-financial assets and liabilities are stated at historical cost.

Functional and presentation currency

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

4. Summary of accounting policies

Fund management

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

4. Summary of accounting policies (continued)

Recognition of income and expenses

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

Interest income and expense

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

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

Fund management fees

Income from Fund management is recognised as earned, based on the amount of revenue that the Company is entitled to receive for the period. Fund management fees are calculated based on the contractual rates of fees applicable on the net asset value of the managed funds.

Fee and commission income

Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided.

Cash and cash equivalents

Cash and cash equivalents comprise balances on correspondent accounts with the RA commercial banks and short term time deposits up to three months, which can be converted into cash at short notice.

Cash and cash equivalents are carried at amortised cost.

Foreign currency translation

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

	31 December 2019	*31 December 2018*
1 EUR/AMD	537.26	553.65

Taxation

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

4. Summary of accounting policies (continued)

Taxation (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. In the case when financial statements are authorised for issue before appropriate tax returns are submitted, taxable profits or losses are based on estimates. Tax authorities might have more stringent position in interpreting tax legislation and in reviewing tax calculations. As a result tax authorities might claim additional taxes for those transactions, for which they did not claim previously. As a result significant additional taxes, fines and penalties could arise. Tax review can include 3 calendar years immediately preceding the year of a review. In certain circumstances tax review can include even more periods.

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

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

The RA also has various operating taxes, which are relevant for the Company's activities. These taxes are included as a component of other expenses in the statement of comprehensive income.

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities

Initial recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Company commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

4. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- FVOCI;
- FVPL.

The Company classifies and measures its investment portfolio at FVOCI. The Company may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from credit institutions

The Company only measures amounts due from credit institutions and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The details of these conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Company assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

4. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company changes the business model for managing financial assets. Financial liabilities are never reclassified.

Impairment assessment under IFRS 9

The Company calculates ECL based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD	The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The Company applies ratings for counterparties, issued by International external rating agencies.

The Company performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its assets into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When assets are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 assets also include facilities where the credit risk has improved and the assets has been reclassified from Stage 2.
Stage 2:	When an assets has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the assets has been reclassified from Stage 3.
Stage 3:	Assets considered credit-impaired. The Company records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Company considers amounts due from banks defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

4. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

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

Property, plant and equipment

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

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. Useful lives of the assets were changed in 2017, in order to provide more fair presentation of PPE. The following depreciation rates have been applied during the current period:

	Useful life (years)	
	2019	***2018***
Computers	5.0	5.0
Vehicles	5.0	5.0
Leasehold improvements	Shorter of useful life and the term of underlying lease	Shorter of useful life and the term of underlying lease
Office equipment and other fixed assets	5.0	5.0

Leasehold improvements are capitalised and depreciated over the shorter of the lease term and their useful lives on a straight-line basis.

Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is incurred and when it satisfies the criteria for asset recognition. Major renovations are depreciated over the remaining useful life of the related asset.

Share capital

Share capital

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

Dividends

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

4. Summary of accounting policies (continued)

Offsetting

Financial assets and liabilities, and income and expenses, are offset and the net amount reported in the financial statements sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

Related party transactions

The Company recognises related party transactions, for which the applicable standards do not require initial measurement at fair value, at the actual consideration stated in any agreement related to the transaction.

5. Changes in accounting policies

New and amended standards and interpretations

The Company applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

	AMD'000
Assets	
Property and equipment	56,265
Total assets	**56,265**
Liabilities	
Other liabilities	56,265
Total liabilities	**56,265**

(a) Nature of the effect of adoption of IFRS 16

The Company has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use asset was recognized based on the amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

5. Changes in accounting policies (continued)

New and amended standards and interpretations (continued)

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

i. Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets	
	Buildings AMD'000	***Lease liability AMD'000***
As at 1 January 2019	**56,265**	**56,265**
Additions	10,825	10,825
Depreciation expense	(18,750)	–
Interest expense	–	6,301
Payments	–	(22,634)
As at 31 December 2019	**48,340**	**50,757**

5. Changes in accounting policies (continued)

New and amended standards and interpretations (continued)

The Company recognised rent expense from short-term leases of AMD 4,345 thousand for the year ended 31 December 2019.

The weighted average incremental borrowing rate applied to lease liability recognized at the date of initial application is 12.6%.

Annual improvements 2015-2017 cycle

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

6. Significant accounting judgments and estimates

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

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

Fair value measurement

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

6. Significant accounting judgments and estimates (continued)

Related party transactions

In the normal course of business the Company enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Related party transactions are presented in Note 19.

Leases – estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). More details are provided in Note 5.

7. Cash and cash equivalents

	2019 *AMD'000*	*2018* *AMD'000*
Bank accounts	64,751	100,583
Less – allowance for impairment	(74)	(123)
Total cash and cash equivalents	**64,677**	**100,460**

Cash and cash equivalents are held at financial institution with rating B1 as at 31 December 2019 (2018: B1). All balances of cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during 2018 and 2019 is, as follows:

	AMD'000
ECL allowance as at 1 January 2019	**123**
Changes in ECL	(49)
At 31 December 2019	**74**
ECL allowance as at 1 January 2018	**210**
Changes in ECL	(87)
At 31 December 2018	**123**

8. Amounts due from financial institutions

	2019 *AMD'000*	*2018* *AMD'000*
Deposits in banks	209,025	203,193
Less – allowance for impairment	(1,372)	(435)
Total amounts due from financial institutions	**207,653**	**202,758**

Amounts due from financial institutions are held at financial institution with rating B1 as at 31 December 2019 (2018: B1).

8. Amounts due from financial institutions (continued)

All balances of amounts due from financial institutions are allocated to Stage 1. An analysis of changes in the ECL allowances during 2019 and 2018 is, as follows:

	AMD'000
ECL allowance as at 1 January 2019	**435**
Changes in ECL	937
At 31 December 2019	**1,372**
ECL allowance as at 1 January 2018	**254**
Changes in ECL	181
At 31 December 2018	**435**

9. Investments measured at FVOCI

	2019 AMD'000	*2018 AMD'000*
Investments in pension funds		
AMUNDI-ACBA Conservative	1,160,327	789,016
AMUNDI-ACBA Balanced	49,438	44,170
AMUNDI-ACBA Fixed Income	44,690	40,779
Total investments	**1,254,455**	**873,965**

Each of these funds is a pension fund that has been legally established and conducts its trading activities in RA. The funds invest for the purpose of long-term capital growth and do not employ significant leverage. None of the funds are quoted in active markets.

The aggregate net asset value (NAV) of all of the funds managed by the Company as at 31 December 2019 is AMD 127,485,168 thousand (2018: AMD 79,767,661 thousand).

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

The Company accumulated unrealized gains/(losses) reserve in the amount of AMD 281,887 thousand for those investments as at 31 December 2019 (2018: AMD 151,397 thousand).

10. Property, plant and equipment

AMD'000	*Leasehold improve-ments*	*Computers*	*Motor vehicles*	*Office equipment and other fixed assets*	*Right-of-use asset*	*Total*
Cost						
Balance at 1 January 2018	**27,734**	**589**	**13,523**	**22,517**	**–**	**64,363**
Additions	–	–	–	1,821	–	1,821
Balance at 31 December 2018	**27,734**	**589**	**13,523**	**24,338**	**–**	**66,184**
Impact of adopting IFRS 16	–	–	–	–	56,265	56,265
Balance at 1 January 2019	**27,734**	**589**	**13,523**	**24,338**	**56,265**	**122,449**
Additions	–	–	–	61	10,825	10,886
Disposals/write-offs	–	–	–	(108)	–	(108)
Balance at 31 December 2019	**27,734**	**589**	**13,523**	**24,291**	**67,090**	**133,227**
Accumulated depreciation						
Balance at 1 January 2018	**6,971**	**589**	**12,319**	**16,170**	**–**	**36,049**
Charge for the year	2,080	–	283	1,733	–	4,096
Balance at 31 December 2018	**9,051**	**589**	**12,602**	**17,903**	**–**	**40,145**
Charge for the year	5,608	–	283	4,505	18,750	29,146
Accrual on disposals	–	–	–	(80)	–	(80)
Balance at 31 December 2019	**14,659**	**589**	**12,885**	**22,328**	**18,750**	**69,211**
Carrying amount						
At 31 December 2018	**18,683**	**–**	**921**	**6,435**	**–**	**26,039**
At 31 December 2019	**13,075**	**–**	**638**	**1,963**	**48,340**	**64,016**

11. Taxation

	2019 AMD'000	*2018 AMD'000*
Current tax charge	(113,035)	(80,090)
Deferred tax benefit	2,132	419
Income tax expense	**(110,903)**	**(79,671)**

The corporate income tax within the Republic of Armenia is levied at the rate of 20% (2018: 20%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred income tax is calculated using the principal tax rate of 20%.

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

	2019 AMD'000	*2018 AMD'000*
Profit before tax	**534,595**	**387,825**
Income tax at the rate of 20%	**(106,919)**	**(77,565)**
Non-deductible expenses	(3,365)	(2,536)
Foreign exchange (loss)/gain	(107)	30
Changes in tax base of property, plant and equipment due to tax legislation changes	–	400
Effect of changes in income tax rate	(512)	–
Total income tax expense	**(110,903)**	**(79,671)**

11. Taxation (continued)

Deferred tax assets and liabilities as of 31 December and their movements for the respective years comprise:

	2018 AMD'000	*Recognized in profit or loss AMD'000*	*2019 AMD'000*
Property, plant and equipment	539	(7,663)	(7,124)
Cash and cash equivalents	25	(12)	13
Other assets	17	6	23
Other liabilities	1,789	9,641	11,430
Amounts due from financial institutions	87	160	247
Total deferred tax assets	**2,457**	**2,132**	**4,589**

	2017 AMD'000	*Recognized in profit or loss AMD'000*	*Effect of adoption of IFRS 9 AMD'000*	*2018 AMD'000*
Property, plant and equipment	400	139	–	539
Cash and cash equivalents	–	(17)	42	25
Other assets	–	5	12	17
Other liabilities	1,637	152	–	1,789
Amounts due from financial institutions	1	35	51	87
Total deferred tax assets	**2,038**	**314**	**105**	**2,457**

12. Other assets

	2019 AMD'000	*2018 AMD'000*
Fund management fee receivables	114,062	68,610
Other receivables	–	39,731
Less – allowance for impairment of other financial assets	(130)	(87)
Total other financial assets	**113,932**	**108,254**
Prepayments	4,042	3,139
Other non-financial assets	1,590	1,701
Total other non-financial assets	**5,632**	**4,840**
Total other assets	**119,564**	**113,094**

All other assets are allocated to Stage 1. An analysis of changes in the ECL allowances during 2019 and 2018 is, as follows:

	AMD'000
ECL allowance as at 1 January 2019	87
Changes in ECL	43
At 31 December 2019	130
ECL allowance as at 1 January 2018	62
Changes in ECL	25
At 31 December 2018	87

13. Other liabilities

	2019 AMD'000	2018 AMD'000
Accounts payable	136,448	24,519
Total other financial liabilities	**136,448**	**24,519**
Salary payable and other non-financial liabilities	10,635	5,905
Total other non-financial liabilities	**10,635**	**5,905**
	147,083	**30,424**

14. Equity

As of 31 December 2019 and 2018 the Company's registered and paid-in share capital amounted to AMD 800,000 thousand. In accordance with the Company's statues the share capital consists of 2,500 ordinary shares, all of which have par value of AMD 320,000.

The shareholders of the Company as of 31 December 2019 and 31 December 2018 are as follows:

	Paid-in share capital AMD'000	*% of total paid-in capital*
"AMUNDI ASSET MANAGEMENT" joint stock company (France)	408,000	51%
"ACBA-CREDIT AGRICOLE BANK" CJSC (Armenia)	392,000	49%
	800,000	**100%**

15. Fee and commission income

	2019 AMD'000	*2018 AMD'000*
Fund management fees	1,123,954	712,960
Other fees and commissions	11,654	103,516
Total fee and commission income	**1,135,608**	**816,476**

16. Staff costs

	2019 AMD'000	*2018 AMD'000*
Compensations of employees	67,386	72,610
Other staff costs	11,853	6,093
Total staff costs	**79,239**	**78,703**

17. Administrative and other expenses

	2019 *AMD'000*	*2018* *AMD'000*
Custody fee	152,875	96,923
Investment management delegation fee	85,455	55,084
Labor outsourcing	73,690	72,008
Fund administration and accounting expenses	43,500	33,046
Technical program processing fee	41,308	17,527
Depreciation expenses	29,146	4,096
Representative and advertising expenses	25,562	8,213
Communications	15,678	15,990
Professional services	14,880	5,000
Taxes, other than income tax, duties	12,160	5,250
Charity	7,220	–
Operating lease	6,478	30,281
Interest expense	6,301	–
Business trip expenses	6,069	5,643
Fixed assets maintenance	5,290	4,526
Insurance	3,939	3,888
Credit loss expense and other impairment and provisions (Notes 7, 8, 12)	931	119
Other expenses	10,844	5,440
Total other expenses	**541,326**	**363,034**

18. Commitments and contingencies

Tax and legal matters

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

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

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

As of 31 December 2019 and 2018 there were no legal actions and complaints taken against the Company. Therefore, the Company has not made any respective provision related to such tax and legal matters.

19. Transactions with related parties

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

The parent of the Company is "AMUNDI ASSET MANAGEMENT" joint stock company (France). The ultimate controlling party of the Company is SAS RUE LA BOETIE.

A number of transactions are entered into with related parties in the normal course of business.

19. Transactions with related parties (continued)

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

	2019 AMD'000		*2018 AMD'000*	
	Parent	*Other related parties*	*Parent*	*Other related parties*
Statement of financial position				
Cash and cash equivalents				
At 1 January	–	**100,460**	–	**110,457**
Increase	–	1,827,093	–	1,339,141
Decrease	–	(1,862,876)	–	(1,349,138)
At 31 December	–	**64,677**	–	**100,460**
Amounts due from financial institutions				
At 1 January	–	**202,758**	–	**106,045**
Increase	–	435,416	–	460,000
Decrease	–	(430,521)	–	(363,287)
At 31 December	–	**207,653**	–	**202,758**
Statement of comprehensive income				
Interest and similar income	–	19,715	–	13,393
Fee and commission income	11,654	–	103,516	–
Net gain/(loss) on foreign currency transactions	631	–	(627)	–
Labor outsourcing	(73,690)	–	(72,008)	–
Administrative and other expenses	(132,132)	(12,084)	(73,751)	(1,476)

During the year ended 31 December 2019 the Company placed time deposits with annual interest rate ranging from 6.9-8.9% (2018: 3.9-6.9%).

Compensation of key management personnel was comprised of the following:

	2019 AMD'000	*2018 AMD'000*
Salary and other related payments	41,207	38,595
Other compensations	2,851	1,926
Total key management compensation	**44,058**	**40,521**

20. Fair value of financial instruments

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

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

20. Fair value of financial instruments (continued)

Financial instruments that are not measured at fair value

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

AMD'000	*Level 2*	*Total fair value*	*Total carrying amount*
At 31 December 2019			
Financial assets			
Cash and cash equivalents	64,677	**64,677**	**64,677**
Amounts due from financial institutions	200,890	**200,890**	**207,653**
Other financial assets	113,932	**113,932**	**113,932**
Financial liabilities			
Other financial liabilities	136,448	**136,448**	**136,448**

AMD'000	*Level 2*	*Total fair value*	*Total carrying amount*
At 31 December 2018			
Financial assets			
Cash and cash equivalents	100,460	**100,460**	**100,460**
Amounts due from financial institutions	202,758	**202,758**	**202,758**
Other financial assets	108,254	**108,254**	**108,254**
Financial liabilities			
Other financial liabilities	24,519	**24,519**	**24,519**

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

Financial instruments that are measured at fair value

AMD'000	*Level 2*	*Total*
At 31 December 2019		
Financial assets		
Investments measured at FVOCI	1,254,455	**1,254,455**

AMD'000	*Level 2*	*Total*
At 31 December 2018		
Financial assets		
Investments measured at FVOCI	873,965	**873,965**

Investments

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

21. Maturity analysis of assets and liabilities

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

AMD'000	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 12 months*	*Subtotal less than 12 months*	*More than 1 year*	*Subtotal over 12 months*	*Total*
At 31 December 2019							
Assets							
Cash and cash equivalents	64,677	–	–	64,677	–	–	64,677
Amounts due from financial institutions	–	105,610	102,043	207,653	–	–	207,653
Investments at FVOCI	–	–	–	–	1,254,455	1,254,455	1,254,455
Property, plant and equipment	–	–	–	–	64,016	64,016	64,016
Deferred tax asset	–	–	–	–	4,589	4,589	4,589
Other assets	113,932	5,632	–	119,564	–	–	119,564
Total assets	178,609	111,242	102,043	391,894	1,323,060	1,323,060	1,714,954
Liabilities							
Current income tax liability	–	–	48,962	48,962	–	–	48,962
Other liabilities	24,442	9,580	30,387	64,409	82,674	82,674	147,083
Total liabilities	24,442	9,580	79,349	113,371	82,674	82,674	196,045
Net position	154,167	101,662	22,694	278,523	1,240,386	1,240,386	1,518,909
Accumulated gap	154,167	255,829	278,523		1,518,909		

AMD'000	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 12 months*	*Subtotal less than 12 months*	*More than 1 year*	*Subtotal over 12 months*	*Total*
At 31 December 2018							
Assets							
Cash and cash equivalents	100,460	–	–	100,460	–	–	100,460
Amounts due from financial institutions	–	102,428	100,330	202,758	–	–	202,758
Investments at FVOCI	–	–	–	–	873,965	873,965	873,965
Property, plant and equipment	–	–	–	–	26,039	26,039	26,039
Deferred tax asset	–	–	–	–	2,457	2,457	2,457
Other assets	93,825	4,841	14,428	113,094	–	–	113,094
Total assets	194,285	107,269	114,758	416,312	902,461	902,461	1,318,773
Liabilities							
Current income tax liability	–	–	70,356	70,356	–	–	70,356
Other liabilities	15,542	8,489	415	24,446	5,978	5,978	30,424
Total liabilities	15,542	8,489	70,771	94,802	5,978	5,978	100,780
Net position	178,743	98,780	43,987	321,510	896,483	896,483	1,217,993
Accumulated gap	178,743	277,523	321,510		1,217,993		

22. Risk management

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

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

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

22. Risk management (continued)

Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Company by failing to discharge an obligation.

The Company calculates ECL allowance based on the credit losses expected to arise over the life of the asset.

Market risk

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. As of 31 December 2019 and 2018 the Company had no financial assets and liabilities with variable interest rates.

Currency risk

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

The tables below indicate the currencies to which the Company had significant exposure at 31 December 2019 and 2018 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculated the effect of a reasonably possible movement of the currency rate against the Armenian Dram, with all other variables held constant on the income. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

AMD'000	*Change in currency rate in % 2019*	*Effect on profit before tax 2019*	*Change in currency rate in % 2018*	*Effect on profit before tax 2018*
Currency				
EUR	6.5%	(2,316)	8.0%	2,354
	-6.5%	2,316	-8.0%	(2,354)
USD	3%	8	–	–
	-3%	(8)	–	–

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

AMD'000	*Armenian Dram*	*Euro*	*USD*	*Total*
Financial assets				
Cash and cash equivalents	62,611	1,796	270	**64,677**
Amounts due from financial Institutions	207,653	–	–	**207,653**
Investments at FVOCI	1,254,455	–	–	**1,254,455**
Other financial assets	113,932	–	–	**113,932**
Total	**1,638,651**	**1,796**	**270**	**1,640,717**
Financial liabilities				
Other financial liabilities	99,027	37,421	–	136,448
Total	**99,027**	**37,421**	**–**	**136,448**
Net position as at 31 December 2019	**1,539,624**	**(35,625)**	**270**	**1,504,269**
Net position as at 31 December 2018	**1,231,781**	**29,424**	**–**	**1,261,205**

22. Risk management (continued)

Liquidity risk

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

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

Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the Company's lease liabilities at 31 December 2019 based on contractual undiscounted repayment obligations.

AMD'000	*Demand and less than 1 month*	*From 1 to 3 months*	*From 4 to 12 months*	*More than 1 year*	*Total*
As of 31 December 2019					
Lease liabilities	2,240	4,480	20,160	31,077	**57,957**
Total undiscounted financial liabilities	**2,240**	**4,480**	**20,160**	**31,077**	**57,957**

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

23. Capital adequacy

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

The equity consists of share capital and retained earnings, revaluation reserves.

The Central Bank of Armenia has set the minimal required total capital for mandatory pension fund managers at AMD 500,000 thousand. As of 31 December 2019 and 2018 the capital of the Company corresponded to the requirements set forth by the legislation.

24. Changes in liabilities arising from financing activities

	Note	*Total liabilities from financing activities AMD'000*
Carrying amount at 31 December 2018		–
Recognition of lease liability	5	67,090
Payment of principal portion of lease liability		(16,333)
Interest paid on lease liability		(6,301)
Other		6,301
Carrying amount at 31 December 2019		**50,757**

25. Events after reporting date

In connection with the recent rapid development of the coronavirus pandemic (COVID-19), many countries, including the Republic of Armenia, introduced quarantine measures, which had a significant impact on the level and scale of business activity of market participants. It is expected that both, the pandemic itself and measures to minimize its consequences, can affect the activities of companies from various industries. The Company considers this pandemic as a non-adjusting event after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence.

The management is currently analyzing the possible impact of changing micro and macroeconomic economic conditions on the financial position and performance of the Company.