



C-Quadrat Ampega
Asset Management
Armenia

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

Financial Statements and
Independent Auditor's Report
for the Year Ended December 31, 2019

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, 2019

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, 2019, 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, 2019 were approved by management on April 30, 2020.

On behalf of the Management:



Arman Vardanyan
Chief Executive Officer



Isabella Adilkhanyan
Chief Financial & Operating Officer

Yerevan, Republic of Armenia
April 30, 2020

Yerevan, Republic of Armenia
April 30, 2020

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, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of C-QUADRAT Ampega Asset Management Armenia LLC as at December 31, 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 (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of 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.

Srbuhi Hakobyan
Executive Director
Audit Partner



30 April, 2020
Yerevan, Republic of Armenia
Deloitte Armenia cjsc

C-QUADRAT Ampega Asset Management Armenia LLC

STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2019

in AMD thousands	Notes	December 31, 2019	December 31, 2018
Assets			
Cash and cash equivalents	6	33,625	4,823
Financial assets at fair value through profit or loss	7	1,262,641	860,294
Property, equipment and intangible assets	8	51,793	24,751
Right-of-use asset	9	113,244	-
Deferred tax assets	10	14,665	4,950
Other assets	11	120,364	71,611
Total assets		1,596,332	966,429
Equity and liabilities			
Capital and reserves			
Share capital	12	650,000	650,000
Retained earnings		647,346	215,819
Total equity		1,297,346	865,819
Liabilities			
Lease liability	9	111,672	-
Income tax payables		57,609	45,863
Payables and accrued expenses	13	129,705	54,747
Total liabilities		298,986	100,610
Total equity and liabilities		1,596,332	966,429

The financial statements were authorized for issue on April 30, 2020 by the Management.



Arman Vardanyan
Chief Executive Officer

Isabella Adilkhanyan
Chief Financial & Operating Officer

April 30, 2020
Yerevan

April 30, 2020
Yerevan

The notes on pages 8-28 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, 2019

in AMD thousands	Notes	2019	2018
Income from management fees	14	1,095,618	683,549
Interest income		1,523	931
Other income		8	15
Net gain on financial assets at fair value through profit or loss	15	138,347	31,561
Fee and commission income		281	82
Fee and commission expense	16	(152,373)	(95,328)
Net loss from trading in foreign currencies		(748)	(551)
Foreign exchange translation (loss)/gain		(21)	165
Finance cost		(3,427)	-
Administrative and other expenses	17	(563,097)	(373,064)
Profit before tax		516,111	247,360
Income tax expense	10	(84,584)	(44,600)
Profit for the year		431,527	202,760
Total comprehensive income for the year		431,527	202,760

The financial statements were authorized for issue on April 30, 2020 by the Management.



[Handwritten signature of Arman Vardanyan]

Arman Vardanyan
Chief Executive Officer

[Handwritten signature of Isabella Adilkhanyan]

Isabella Adilkhanyan
Chief Financial & Operating Officer

April 30, 2020
Yerevan

April 30, 2020
Yerevan

The notes on pages 8-28 form an integral part of these financial statements.

C-QUADRAT Ampega Asset Management Armenia LLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

in AMD thousands	Notes	Share Capital	Retained earnings/(loss)	Total Shareholders equity
Balance at 31 December 2017		650,000	13,059	663,059
Total comprehensive income for the year		-	202,760	202,760
Balance at 31 December 2018	12	650,000	215,819	865,819
Total comprehensive income for the year		-	431,527	431,527
Balance at 31 December 2019	12	650,000	647,346	1,297,346

The financial statements were authorized for issue on April 30, 2020 by the Management.



[Handwritten signature of Arman Vardanyan]

Arman Vardanyan
Chief Executive Officer

[Handwritten signature of Isabella Adilkhanyan]

Isabella Adilkhanyan
Chief Financial & Operating Officer

April 30, 2020
Yerevan

April 30, 2020
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C-QUADRAT Ampega Asset Management Armenia LLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

in AMD thousands	Notes	2019	2018
Cash flows from operating activities			
Management fees received		1,050,653	664,163
Interest received		1,523	931
Salaries and related expenses paid		(169,581)	(123,214)
Commission expenses paid		(143,132)	(90,548)
Operations with foreign currencies		(743)	(551)
Prepayments, operating and administrative expenses paid		(305,082)	(235,744)
Income taxes paid		(82,384)	(380)
Net cash from operating activities		351,254	214,657
Cash flows from investing activities			
Investments in financial assets at fair value through profit or loss		(264,000)	(211,000)
Purchase of property and equipment	8	(34,216)	(21,252)
Prepayments to acquire non-current assets		-	(954)
Net cash used in investing activities		(298,216)	(233,206)
Cash flows from financing activities			
Lease liability	23	(24,167)	-
Net cash used in financing activities		(24,167)	-
Net increase/(decrease) in cash and cash equivalents			
		28,871	(18,549)
Cash and cash equivalents at beginning of the year		4,823	23,304
Effect of exchange rate fluctuations on cash and cash equivalents		(69)	68
Cash and cash equivalents at end of the year	6	33,625	4,823

The financial statements were authorized for issue on April 30, 2020 by the Management.



Arman Vardanyan
Chief Executive Officer

Isabella Adilkhanyan
Chief Financial & Operating Officer

April 30, 2020
Yerevan

April 30, 2020
Yerevan

The notes on pages 8-28 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, 2019 **(In thousands of Armenian Drams unless otherwise stated)**

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 Hanrapetutyan 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, 2019 the company had 9 employees (2018: 8 employees).

The Company conducts investment and pension funds' management activities based on the RA legislation and CBA license.

The management's remuneration is assigned by the decision of the corresponding governing body. The Company has a Board which conducts the overall governance of the company's operations, except for questions that are the sole responsibility of the General Meeting of Shareholders' according to RA law on Limited Liability Companies.

The shareholders of the Company are "C-QUADRAT Investment AG" (74.9%), office located at Stubenring 2, 1070 Vienna, Austria, (registration number FN 55148a), and "Talanx Asset Management" GmbH (25.1%), registered in Charles de Gaulle Platz 1, Germany 50679, Köln, (registration number HRB 61047). More information disclosed in Note 12.

The shares of "C-QUADRAT Investment AG" belong to Cubic (London) Limited (United Kingdom) (100,00%). Shares of Cubic (London) Limited (United Kingdom) belong to MVJ GmbH & Co KG (74.9 %) and other four minor shareholders. The ultimate controlling parties of the Company which has more than 20% effective shareholding is San Gabriel Privatstiftung (40%) and Cristobal Mendez de Vigo zu Loewenstein (40%).

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

- C-QUADRAT Ampega Fixed Income Pension Fund
- C-QUADRAT Ampega Conservative Pension Fund
- C-QUADRAT Ampega Balanced Pension Fund
- CQ Armenia Growth Investment 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.

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

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.

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.

2. STATEMENT OF COMPLIANCE

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

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

New and amended IFRS Standards that are effective for the current year

The impact of the application of the new and revised IFRS Standards below is for illustrative purposes only. Entities should analyze the impact of these new or revised IFRS Standards on their financial statements based on their specific facts and circumstances and make appropriate disclosures.

IFRS 16 Leases

General impact of application of IFRS 16 Leases: In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the modified retrospective approach, with the cumulative

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

Impact of the new definition of a lease: The Company made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company applies IFRS 16 initially on January 1, 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 is recognised as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

Impact on Lessee Accounting: IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- (a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- (c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other general and administrative expenses' in profit or loss.

Financial impact of the initial application of IFRS 16: The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 10.0%.

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 recognizes 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.

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1 and IAS 8 Definition to Material. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted. Management does not estimate that the application of this standard will have a material impact on the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

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.

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2019 (continued) **(In thousands of Armenian Drams unless otherwise stated)**

The principal accounting policies are set out below.

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 income and expense, except for interest on non-derivative financial assets and liabilities at fair value through P/L, are recognized in the statement of profit or loss as interest income or interest expense respectively.

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

Asset management activities

Portfolio and other management fees are recognized based on the service agreements, as a rule proportionally to time. Asset management fees related to investment foundations are accounted proportionally throughout the time of service provision.

Assets' management and administration fees relate to fiduciary operation payments, in case of which the company keeps or in the name of its customers invests assets and provides other asset-based services. Those payments are based on daily balances of customer assets invested in those funds. The company also earns asset management fees from suggesting consulting solutions including consulting and accounts management services. The fair value of customer assets included in the fund are based on market prices and other observable market conditions.

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

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

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	
	2019	2018	December 31, 2019	December 31, 2018
AMD/1 US Dollar	480.36	484.63	479.70	483.75
AMD/1 Euro	537.90	551.65	537.26	553.65

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.

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

Depreciation of leasehold improvements depends on lease contract terms. 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

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2019 (continued) **(In thousands of Armenian Drams unless otherwise stated)**

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-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.

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

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.

4.11. Financial instruments

Financial assets and financial liabilities are recognized when a Company becomes a party to the contractual provisions of the instrument.

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.

Effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and amounts 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 instrument, or, where appropriate, a shorter period, to the net

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Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

carrying amount on initial recognition.

Fee and commission expense. Fee and commission expense include fees other than those that are an integral part of EIR (see above).

Fee and commission expenses with regards to services are accounted for as the services are received.

Financial assets. All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a 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 amount outstanding (SPPI), are subsequently measured at amortized cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

Financial assets measured at fair value through profit or loss (FVTPL). A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or
- At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios.

At initial recognition of a financial asset, the Company determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model.

Impairment. The Company recognizes loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents;
- Trade and other receivables.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

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Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

Financial assets are not material to financial statements and the Company has not estimated ECL on Cash and cash equivalents and Trade and other receivables.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

Modification and derecognition of financial assets. A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

Presentation of allowance for ECL in the statement of financial position. Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets;

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

Other financial liabilities. Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

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. For details on EIR see the "net interest income section" above.

Derecognition of financial liabilities. The Company derecognizes financial liabilities when, and only when, the Company obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Effect of transition. The transition IAS 39 and corresponding IFRS 9 classification and measurement categories and reconciles the IAS 39 and IFRS 9 carrying amounts for financial asset exposures as at 1 January 2018 as a result of IFRS 9 adoption was as follows: The Company has not created an allowance for impairment losses on cash and cash equivalent balances and on trade and other receivables balances as the effect was immaterial and loss allowance for ECL is nil as at adoption date.

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 10.

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Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the amounts of AMD 33,625 thousand and AMD 4,823 thousand as at December 31, 2019 and 2018, respectively, are held in banks operating in the Republic of Armenia and other countries. For the purpose of ECL measurement cash and cash equivalents balances are included in stage 1. The loss allowance for ECL is immaterial as at December 31, 2019 and 2018.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Units held in funds managed by the Company:		
C-QUADRAT Ampega Conservative Pension Fund – P	1,157,634	790,177
C-QUADRAT Ampega Balanced Pension Fund – P	50,761	44,279
C-QUADRAT Ampega Fixed Income Pension Fund – P	28,617	25,838
CQ Armenia Growth Investment Fund	25,629	-
Total financial assets at fair value through profit or loss	<u>1,262,641</u>	<u>860,294</u>

See also note 19.

8. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Cost	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Other office Equipment</u>	<u>Leasehold Improvements</u>	<u>Vehicles</u>	<u>Computer software</u>	<u>Total</u>
At January 1, 2018	13,129	3,655	212	-	-	1,545	18,541
Additions	<u>15,522</u>	<u>938</u>	-	<u>4,792</u>	-	-	<u>21,252</u>
At December 31, 2018	28,651	4,593	212	4,792	-	1,545	39,793
Additions	<u>840</u>	<u>4,725</u>	-	-	<u>28,100</u>	-	<u>33,665</u>
At December 31, 2019	<u>29,491</u>	<u>9,318</u>	<u>212</u>	<u>4,792</u>	<u>28,100</u>	<u>1,545</u>	<u>73,458</u>
Depreciation and Amortization							
At January 1, 2018	5,991	1,944	198	-	-	1,223	9,356
Depreciation and amortisation charge	<u>3,201</u>	<u>1,478</u>	<u>13</u>	<u>685</u>	-	<u>309</u>	<u>5,686</u>
At December 31, 2018	9,192	3,422	211	685	-	1,532	15,042
Depreciation and amortisation charge	<u>3,677</u>	<u>1,379</u>	-	<u>1,027</u>	<u>527</u>	<u>13</u>	<u>6,623</u>
At December 31, 2019	<u>12,869</u>	<u>4,801</u>	<u>211</u>	<u>1,712</u>	<u>527</u>	<u>1,545</u>	<u>21,665</u>
Carrying amount							
At December 31, 2017	<u>7,138</u>	<u>1,711</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>322</u>	<u>9,185</u>
At December 31, 2018	<u>19,459</u>	<u>1,171</u>	<u>1</u>	<u>4,107</u>	<u>-</u>	<u>13</u>	<u>24,751</u>
At December 31, 2019	<u>16,622</u>	<u>4,517</u>	<u>1</u>	<u>3,080</u>	<u>27,573</u>	<u>-</u>	<u>51,793</u>

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Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

9. RIGHT OF USE ASSETS AND LEASE LIABILITIES

	Buildings
Cost	
At 1 January 2019	40,033
Additions	94,394
At 31 December 2019	134,427
Accumulated depreciation	
At 1 January 2019	-
Charge for the year	(21,183)
At 31 December 2019	(21,183)
Carrying amount	
At 31 December 2019	113,244
Amounts recognised in profit and loss	
	2019
Depreciation expense on right-of-use assets	21,183
Interest expense on lease liabilities	3,427
Total	24,610

Lease Liability

	December 31, 2019
	Amounts payable under finance leases
Maturity analysis	
Year 1	24,167
Year 2	24,167
Year 3	24,167
Year 4	24,167
Year 5	24,167
Year 6 and beyond	27,190
Total lease Liability	148,025
Unearned interest	(36,353)
Carrying amount of lease liability at December 31, 2019	111,672

10. INCOME TAXES

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, 2019 and 2018 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.

	2019	2018
Current income tax recognized in profit or loss	94,299	45,863
Deferred tax (credit)/charge due to origination of temporary differences recognized in profit or loss	(9,715)	(1,263)
Income tax expense	84,584	44,600
Reconciliation of income tax is as follows:		
Profit before income tax	516,111	247,360
Income tax at statutory income tax rate of 20%	103,222	49,472
Change in tax rate*	(1,629)	-
Non-taxable income	(27,926)	(6,345)
Non-deductible expenses	10,917	1,473
Income tax expense at the effective income tax rate of 16.39% (2018: 18.03%)	84,584	44,600

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Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

*Change in tax rate in the table above resulted from recalculation of deferred tax position due to change of tax rate which is effective from 1 January 2020

The effect of change in tax rate above relates to the legislative changes effective from January 1, 2020 reducing the statutory corporate tax from existing 20% to 18%.

Calculation of deferred tax on temporary differences is as follows:

Deferred tax assets/(liabilities), including:	December 31, 2019	December 31, 2018
Payables for professional services	2,304	768
Property and equipment	527	539
Unused vacation reserve	3,717	3,643
Bonus reserve	8,399	-
Right-of-use asset	20,101	-
Lease liability	(20,383)	-
Total deferred tax assets	14,665	4,950

Deferred tax assets/(liabilities), including:	December 31, 2018	December 31, 2017
Payables for professional services	768	600
Property and equipment	539	(108)
Unused vacation reserve	3,643	3,195
Total deferred tax assets	4,950	3,687

Change in deferred tax assets for the year ended December 31, 2019 and December 31, 2018 of AMD (9,715) thousand and AMD (1,263) thousand, respectively, were recognized in profit or loss.

11. OTHER ASSETS

	December 31, 2019	December 31, 2018
Other financial assets		
Management fees receivable	111,414	66,449
Other non-financial assets		
Prepayments given for goods and services	5,977	3,494
Income tax prepayments	-	169
Other	2,973	1,499
Total other assets	120,364	71,611

For the purpose of ECL measurement other financial assets balances are included in stage 1. The loss allowance for ECL is immaterial as at December 31, 2019 and 2018.

12. 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" GmbH, registered at Charles-de-Gaulle-Platz 1, Germany, 50679 Cologne, registration number HRB 61047.

Share of each shareholder in Company's share capital is as following:

Shareholder	Shareholding	
"C-Quadrat Investment AG"	486,850	74.90%
"Talanx Asset Management" GmbH	163,150	25.10%
Total share capital	650,000	100%

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.

As at December 31, 2019 the Company had accumulated earnings in the amount of AMD 647,346

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Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

thousand (December 31, 2018: accumulated earnings AMD 215,819 thousand).

13. PAYABLES AND ACCRUED EXPENSES

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other financial liabilities:		
Payables for professional services	26,594	20,645
Depository fees payable	15,178	9,051
Other payables	690	262
	<u>42,462</u>	<u>29,958</u>
Other non-financial liabilities:		
Bonus reserve	46,663	-
Unused vacation reserve	20,648	18,213
Other reserves	12,800	-
Other accruals	7,132	6,576
	<u>87,243</u>	<u>24,789</u>
Total payables and accrued expenses	<u>129,705</u>	<u>54,747</u>

14. 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.

	<u>2019</u>	<u>2018</u>
Funds under management		
C-QUADRAT Ampega Conservative Pension Fund – P	1,074,904	671,117
C-QUADRAT Ampega Balanced Pension Fund – P	11,908	8,395
C-QUADRAT Ampega Fixed Income Pension Fund – P	6,493	4,037
CQ Armenia Growth Investment Fund	2,313	-
Total income from management fees	<u>1,095,618</u>	<u>683,549</u>

15. NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2019</u>	<u>2018</u>
Unrealized net gains on fair value change of units held in funds	138,347	31,561
Total net gain on financial assets at fair value through profit or loss	<u>138,347</u>	<u>31,561</u>

16. FEES AND COMMISSION EXPENSE

	<u>2019</u>	<u>2018</u>
State Depository fees	149,256	93,105
Fees and commission to international banks	2,359	1,705
Fees and commission to local banks and others	758	518
Total fees and commission expenses	<u>152,373</u>	<u>95,328</u>

17. ADMINISTRATIVE AND OTHER EXPENSES

	<u>2019</u>	<u>2018</u>
Professional Services	231,817	151,990
Salaries	165,498	124,411
Taxes other than on income	44,783	33,731
Communication, marketing and related services	37,148	18,138
Depreciation and amortization	27,806	5,686
Donations	22,000	-
Business trips and other personnel expenses	13,971	7,923
Operating lease	-	18,338
Other	20,074	12,847
Total administrative and other expenses	<u>563,097</u>	<u>373,064</u>

18. 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.

Operating environment. Starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Company may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Company largely depends on the duration and the incidence of the pandemic effects on the world and Armenian economy.

Emerging markets such as Armenia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Armenia continue to change rapidly tax and regulatory frameworks are subject to varying interpretations. 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. Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis.

Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the Republic of Armenia's economy, may adversely affect Company's business, results of operations, financial condition and prospects. Moreover, there are still uncertainties about the economic situation of countries, collaborating with Armenia, due to the forecasted slowdown in the world economy, which may lead to the shortage of money transfers from abroad, as well as to the decline in the prices of mining products, upon which the economy of Armenia is significantly dependent. In times of more severe market stress, the situation of Armenian economy and of the Company may be exposed to deterioration. However, as the number of variables and assumptions involved in these uncertainties is large, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Company may be affected.

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.

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Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

Lease commitments

Lease commitments relate to the office area with lease term of up six 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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Less than 1 year	24,167	24,167
Later than 1 year and not later than 5 years	123,858	3,070
Total lease commitments	<u>148,025</u>	<u>27,237</u>

Starting from January 1, 2019 the Company applies IFRS 16 for leases, which has its impact on balance sheet and income statement accounts. For more information on the impact refer to the Note 9.

Commitments for co-investment in funds under management

The Company is subject to regulatory requirement to hold 1% co-investment in funds under its management, unless fund net assets value exceed AMD 1,000,000 thousand. This and other statutory and normative requirements are subject to monitoring by the Central Bank of Armenia.

19. 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, 2019	December 31, 2018				
Financial assets at fair value through profit or loss:						
Units in Funds	1,262,641	860,294	Level 2	Latest published net asset value per unit as at reporting date	N/A	N/A
	<u>1,262,641</u>	<u>860,294</u>				

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.

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.

C-QUADRAT Ampega Asset Management Armenia LLC

Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

20. 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 2019 and 2018.

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 650,000 thousand, calculated on an average daily basis per calendar month.

21. 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, 2019 and 2018, credit risk exposure of assets is presented in the table below:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>Country</u>	<u>Credit</u> <u>rating</u>
Cash and cash equivalents	33,625	4,823	Armenia	Unrated
Financial assets at fair value through profit or loss	1,262,641	860,294	Armenia	Unrated
Other financial assets	111,414	66,449	Armenia	Unrated
	<u>1,407,680</u>	<u>931,566</u>		

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. The Company has been profitable in the previous 3 consecutive years and it is estimated that the main source of liquidity of the company in the next years will be the shareholder capital and accumulated retained earnings.

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Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

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, 2019 and 2018, 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.

Management estimates that undiscounted cash flows for financial liabilities approximates the information presented in the below table and is not separately presented.

	December 31, 2019					
	Carrying amount	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	No maturity
Financial assets						
Cash and cash equivalents	33,625	33,625	-	-	-	-
Financial assets at fair value through profit or loss	1,262,641	-	-	-	-	1,262,641
Other financial assets	111,414	111,414	-	-	-	-
Total financial assets	1,407,680	145,039	-	-	-	1,262,641
Financial liabilities						
Other financial liabilities	42,462	42,462	-	-	-	-
Total financial liabilities	42,462	42,462	-	-	-	-
Net position	1,365,218	102,577	-	-	-	1,262,641

	December 31, 2018					
	Carrying amount	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	No maturity
Financial assets						
Cash and cash equivalents	4,823	4,823	-	-	-	-
Financial assets at fair value through profit or loss	860,294	-	-	-	-	860,294
Other financial assets	66,449	66,449	-	-	-	-
Total financial assets	931,566	71,272	-	-	-	860,294
Financial liabilities						
Other financial liabilities	29,958	28,806	1,152	-	-	-
Total financial liabilities	29,958	28,806	1,152	-	-	-
Net position	901,608	42,466	(1,152)	-	-	860,294

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

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Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

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, 2019 and 2018 all interest bearing financial instruments were fixed interest rate bearing instruments, as presented below:

	December 31, 2019						Non-interest bearing
	Carrying amount	Up to 1 month	Fixed interest bearing				
			From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	
Financial assets							
Cash and cash equivalents	33,625	29,918	-	-	-	-	3,707
Financial assets at fair value through profit or loss	1,262,641	-	-	-	-	-	1,262,641
Other financial assets	111,414	-	-	-	-	-	111,414
Total financial assets	1,407,680	29,918	-	-	-	-	1,377,762
Financial liabilities							
Other financial liabilities	42,462	-	-	-	-	-	42,462
Total financial liabilities	42,462	-	-	-	-	-	42,462
Net position	1,365,218	29,918	-	-	-	-	1,335,300

	December 31, 2018						Non-interest bearing
	Carrying amount	Up to 1 month	Fixed interest bearing				
			From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	
Financial assets							
Cash and cash equivalents	4,823	1,630	-	-	-	-	3,193
Financial assets at fair value through profit or loss	860,294	-	-	-	-	-	860,294
Other financial assets	66,449	-	-	-	-	-	66,449
Total financial assets	931,566	1,630	-	-	-	-	929,936
Financial liabilities							
Other financial liabilities	29,958	-	-	-	-	-	29,958
Total financial liabilities	29,958	-	-	-	-	-	29,958
Net position	901,608	1,630	-	-	-	-	899,978

As none of the cash flows from Company's financial instruments as at December 31, 2019 and 2018 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 effective interest rates on interest bearing instruments based on reports reviewed by the Company. These effective interest rates are an approximation of the yields to maturity of these assets.

In % p.a.	December 31, 2019	December 31, 2018
	AMD	AMD
Interest bearing assets	4.5%	4.5%

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:

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Notes to Financial Statements for the Year Ended December 31, 2019 (continued) (In thousands of Armenian Drams unless otherwise stated)

	December 31, 2019		
	AMD	EUR	Total
Non-derivative financial assets			
Cash and cash equivalents	32,488	1,137	33,625
Financial assets at fair value through profit or loss	1,262,641	-	1,262,641
Other financial assets	111,414	-	111,414
Total non-derivative financial assets	1,406,543	1,137	1,407,680
Non-derivative financial liabilities			
Other financial liabilities	15,867	26,595	42,462
Total non-derivative financial liabilities	15,867	26,595	42,462
Net position	1,390,676	(25,458)	1,365,218
	December 31, 2018		
	AMD	EUR	Total
Non-derivative financial assets			
Cash and cash equivalents	3,478	1,345	4,823
Financial assets at fair value through profit or loss	860,294	-	860,294
Other financial assets	66,449	-	66,449
Total non-derivative financial assets	930,221	1,345	931,566
Non-derivative financial liabilities			
Other financial liabilities	13,153	16,805	29,958
Total non-derivative financial liabilities	13,153	16,805	29,958
Net position	917,068	(15,460)	901,608

An analysis of sensitivity of profit or loss and equity to changes in fair value of monetary assets and liabilities held at December 31, 2019 and 2018 due to reasonably possible changes in corresponding exchange rates, with all other variables held constant, is presented below:

	2019		2018	
	Profit or loss / equity		Profit or loss / equity	
	Weakening	Strengthening	Weakening	Strengthening
EUR 20% movement (2018: 20%)	(5,092)	5,092	(3,092)	3,092

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 2019 year would increase/decrease by AMD 63,132 thousand as a result of the changes in fair value of financial assets at fair value through profit or loss (2018: profit decreased/increased by AMD 43,015 thousands).

22. 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 12. The Company's major shareholder is "C-QUADRAT Investment AG" (74.9%). The shares of "C-QUADRAT Investment AG" belong to Cubic (London) Limited (United Kingdom) (100,00%). Shares of Cubic (London) Limited (United Kingdom) belong to MVJ GmbH & Co KG (74.9 %) and other four minor shareholders. The ultimate controlling parties of the Company which has more than 20% effective shareholding is San Gabriel Privatstiftung (40%) and Cristobal Mendez de Vigo zu Loewenstein (40%).

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	December 31, 2019	December 31, 2018
Statement of financial position		
Units held in funds managed by the Company	1,262,641	860,294
Management fee receivable	111,414	66,449
Payables to C-Quadrat Group entities for professional services	(17,310)	(10,197)
Payables to Board members	(717)	-
Statement of profit or loss and other comprehensive income		
	2019	2018
Income from management fees	1,095,618	683,549
Net gain on financial assets at fair value through profit or loss	138,347	31,561
Professional services fees to C-Quadrat Group entities	(159,219)	(97,481)
Salary and reimbursement to the Board member	12,068	3,291

Key management compensation comprising of short term benefits amounted to AMD 110,727 thousand (2018: AMD 80,678 thousand) and were included in administrative and other expenses for the year.

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	January 1, 2019	Proceeds /(repayments - cash flows	Interest payment	Foreign exchange rate effect	Non-cash changes		December 31, 2019
					Interest expense	Additions	
Lease liabilities	40,033	(26,182)	-	-	3,427	94,394	111,672
	40,033	(26,182)	-	-	3,427	94,394	111,672