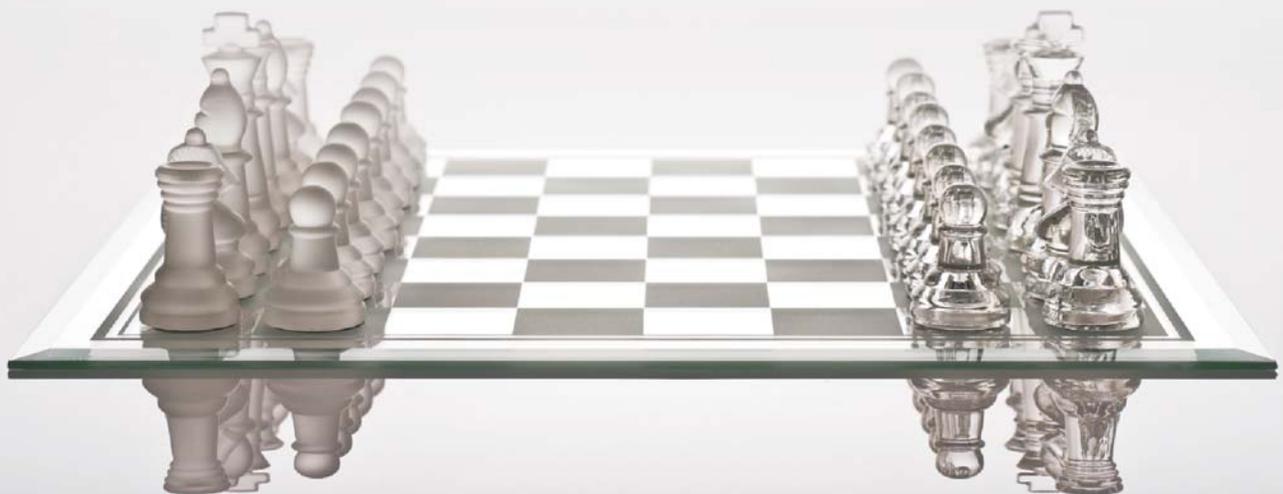




The right move



KEY FIGURES AND RATIOS

Four Year Summary

in '000 AMD (unless otherwise noted)

as of the years ended December 31

Income Statement Data	2005	2006	2007	2008
Revenue	5,595	38,000	66,501	67,665
<i>Change, y-o-y, %</i>		<i>579%</i>	<i>75%</i>	<i>2%</i>
Gross Income	4,914	35,492	57,897	27,995
<i>Gross Margin, %</i>	<i>88%</i>	<i>93%</i>	<i>87%</i>	<i>41%</i>
Operating income	-9,869	20,608	31,588	1,942
<i>Operating Margin, %</i>	<i>-176%</i>	<i>54%</i>	<i>48%</i>	<i>3%</i>
Net income	-11,619	20,044	25,217	21,218
<i>Change, y-o-y, %</i>		<i>273%</i>	<i>26%</i>	<i>-16%</i>
<i>Net Margin, %</i>	<i>-208%</i>	<i>53%</i>	<i>38%</i>	<i>31%</i>

Balance Sheet Data

Total Assets	23,175	252,001	405,900	1,235,995
<i>Change, y-o-y, %</i>		<i>987.4%</i>	<i>61.1%</i>	<i>204.5%</i>
<i>Current Assets</i>	<i>18,141</i>	<i>234,480</i>	<i>276,067</i>	<i>933,032</i>
<i>Fixed Assets</i>	<i>5,034</i>	<i>17,521</i>	<i>129,833</i>	<i>302,963</i>
Shareholder's Equity	6,464	26,508	200,526	1,171,793
<i>Change, y-o-y, %</i>		<i>310.1%</i>	<i>656.5%</i>	<i>484.4%</i>
<i>Charter Capital</i>	<i>15,170</i>	<i>15,170</i>	<i>95,170</i>	<i>531,150</i>
<i>Share premium</i>	<i>0</i>	<i>0</i>	<i>56,525</i>	<i>524,811</i>
<i>Retained earnings</i>	<i>-10,206</i>	<i>9,838</i>	<i>34,555</i>	<i>36,162</i>
Liabilities	16,711	225,493	205,374	64,202
<i>Change, y-o-y, %</i>		<i>1249.4%</i>	<i>-8.9%</i>	<i>-68.7%</i>
<i>Noncurrent liabilities</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Current liabilities</i>	<i>16,711</i>	<i>225,493</i>	<i>205,374</i>	<i>64,202</i>

Other Financials

Share Data				
Number of shares outstanding	3,034	3,034	171,306	531,150
Book Value Per Share, AMD	2,131	8,737	1,171	2,206
EPS, AMD	(3,830)	6,606	147	40
Profitability				
ROA, %	-50.1%	8.0%	6.2%	1.7%
	-			
ROE, %	179.7%	75.6%	12.6%	1.8%
ROAA, %	n.a.	14.6%	7.7%	2.6%
ROAE, %	n.a.	121.6%	22.2%	3.1%
Liquidity & Solvency				
Current ratio, times	1.09x	1.04x	1.34x	14.53x
Quick ratio, times	1.05x	1.04x	1.31x	14.01x
Cash ratio, times	0.92x	1.04x	1.22x	1.79x
Debt to equity ratio, times	2.59x	8.51x	1.02x	0.05x

We keep challenging the market to be on top of its latest developments with state-of-art solutions.

We value our brand, name, past and future devoting ourselves strongly to what we do.

We do care for the funds of our shareholders like we do for ours. This means always trying to do the right move.

DEAR FELLOW SHAREHOLDERS,



Aram Kayfajyan,
Chief Executive Officer

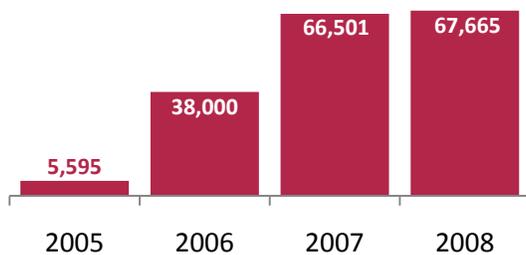
It is very common for Armenians, when someone has both positive and negative news to share, Armenians prefer to “start from the negative”. I will begin by sharing with you some of the difficulties our company faced in over the last year, but then move into the positive aspects of the current and future financial situation of our company and Armenia.

The year 2008 was tough for Armenbrok thanks to not only the economic depression all around, but also from having to address multiple challenges arising from the reality of conducting business in Armenia. An early difficulty the firm faced was relicensing Armenbrok. Due to reasons connected to the complicated structure of the company shareholders, relicensing Armenbrok took much longer than expected. The main reason for the delay was from prejudged subjective matters, for which the Central Bank of Armenia repeatedly asked us to provide new and additional unreasonable documentation for shareholders and their affiliates, lengthening the relicensing process. The four month activity freeze led to some lost opportunities and pushed back the realization of the previously planned strategic development perspective program. In the meantime the world financial crisis stepped into its severe process, pushing out investments from the country and other emerging markets, lowering liquidity and turning the market to extremely low turnover. One positive aspect of the aforementioned delays with the licensing procedure, was that it prevented us from launching new products, a decision now in our favor now since at this point these potential investments have become unreasonably risky. Thus the licensing delay saved us from bearing similar losses incurred to market peers over the last year.

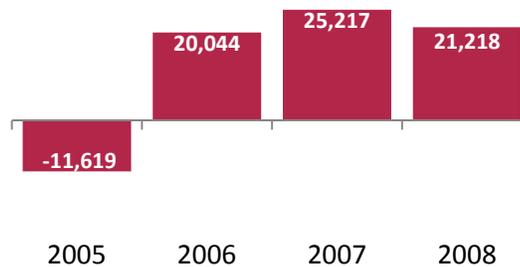
Regardless of the aforesaid difficulties, Armenbrok was able to recover its positions successfully in 2008. The net 2008 profit constituted AMD 21 mln. The company was able to maintain its leading position on the stock exchange, including trade volumes with shares, market activity and local recognition. The Company used services of one of the international Audit companies existing in Armenia, Baker Tilly Armenia for auditing annual figures and activities.

As for 2009, we will keep working hard to recover all the potential unrealized returns of 2008.

Revenue, '000 AMD

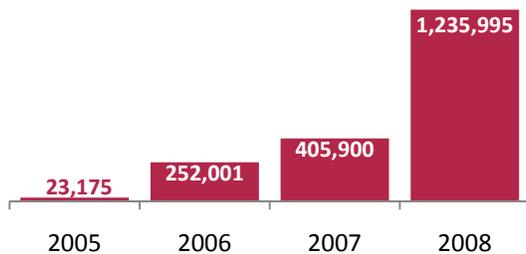


Net income, '000 AMD

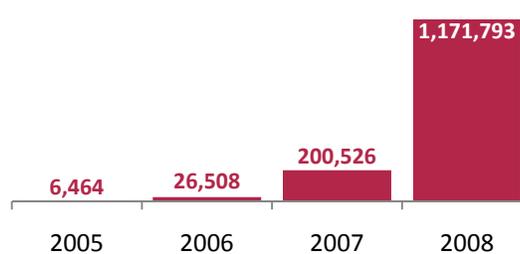


Armenbrok is not leveraged; assets are predominantly of high liquidity and are diverse; perspectives were in time modified and are conservatively directed to increasing returns. Major expenses consist of employee salaries and the rent for office space. Both of these figures are below Armenian financial sector average. Currently Armenbrok has neither scheduled bonus plans nor stock options for top management.

Assets, '000 AMD



Shareholders' Equity, '000 AMD



The year 2008 brought important and exciting changes to the company. Armenbrok came to be the first investment company in Armenia to become public and managed to involve 38 shareholders, domestic and foreign, into its structure. The company adopted strategic development goals that included undertaking big steps for securing Armenbrok's local and international positions. During frequent discussions within the company we analyzed what we had already accomplished and realized that there is still much potential for market development and maximum capacity usage. With the acquisition of the Armenian Stock Exchange by NASDAQ OMX Group, new opportunities started to arise. It is worth mentioning that it is NASDAQ OMX policy of involving new companies to the regulated capital market, which was secured by placing a new document to the National Assembly to stimulate companies to become public, to ensure that certain taxation privileges will be granted to them. Starting from mid 2008 Armenbrok adopted a policy of actively working with local companies to show and teach them about the opportunities that arise from going public. Our educational pamphlets on trading and the stock exchange have received a lot of positive feedback from companies. Several informational meetings were held with local companies who have since expressed strong future interest to perform IPOs.

Another important step undertaken by our company was signing a contract with the Government of Nagorno Karabakh Republic and Artsakh HEK CJSC on the subject of company restructuring, leading to the first ever Armenian IPO. For several months our staff performed in-depth due diligence and placement planning for the project. Due to the complete absence of IPO experience in Armenia this was a difficult but an extremely important step forward. The final product of placement memorandum was submitted to the Central Bank of Armenia for registration on 1 December 2008. We strongly believe that this first placement experience, connected with NASDAQ OMX Armenia and other investment companies' efforts, will serve as a confidence boost for the future development of the market as soon as the recovery starts.

WHAT COMES NEXT FOR ARMENBROK

Armenbrok will continue to operate in a conservative manner to maintain shareholders' equity and engage the company in low risk activities that insure sufficient returns, all while maintaining assets liquid, diversified and unleveraged.

Strategic development will focus on continuing active communication with local companies to increase their level of capital market knowledge and introducing these companies to the public market as soon as possible. Another strategic instrument that will be used is REPO market transactions with government bonds, which approves high levels of return with low risk level. The next important process that will be implemented is introducing a new service, international markets' securities trading, to both local and foreign clients. In our opinion, this may help to redirect the partial volume of savings from banking deposits to investments in world liquid and profitable securities. Our long term strategy also includes attracting and collaborating with the Armenian Diaspora as much as possible.

Naturally Armenbrok management wishes to provide all possible services, strongly considering the risks connected to these activities within the framework of the current economic turbulence. A majority of the future development of the company is based on an in-depth analysis of the market and its needs. As per the adopted philosophy the services planned to be implemented are as follows:

- Introducing foreign securities to the market. This point includes involving both local and foreign investors, since here we see an opportunity for redirecting the savings, which show a low income level, to international blue chips and high income bonds. From another perspective the company plans to sign a partnership with a foreign investment bank that has active participation in the international markets, to join efforts in attracting foreign clients into international investments. This will be maintained through Armenbrok corporate custodian services.
- Connected with the previous point, it is worth mentioning that the implementation and securing of custody services will gradually help to introduce asset management service that can be implemented by both local Armenbrok efforts and within a joint program with possible international partners.
- Continuing to secure its positions on the REPO market with government bonds, increasing the portfolio under management.
- Establishing currency dealing and FX trading center which will provide services to all local interested persons. This includes FX in NASDAQ OMX Armenia for AMD-USD-EUR transactions as well as trading on international platforms for other currencies.
- Actively working with potential issuers for increasing their knowledge in capital markets and future possible placement performance.

All the operations listed above have minimal risks due to the fact that the foreign securities' transactions, custody, asset management and FX trading are based on client risks and funds. REPO activity is secured by highly reliable government bonds that by themselves are considered to be profitable enough to cover possible losses from the activities that may happen.

In closing, I want to express my confidence in the Armenian markets and the positive future the economy holds. Amid the weak global economic climate and short-term moderate growth, Armenbrok is still excited about the long-term potential growth of the company and of the Armenian economy as a whole. Through research, development, and investments that abide by Armenbrok's diligent investment strategy, Armenbrok is confident that it can continue to serve as a leader in the Armenian investment industry.



Aram Kayfajyan,
Chief Executive Officer

CORPORATE PROFILE

Company Overview

Armenbrok investment brokerage and consulting company was established in 1995 as “Armenian Broker” limited liability company. Armenbrok was the first company operating in the post privatization capital market development processes. At that time, no true laws or legislation regulating the securities market existed creating a great chance to start business as a securities broker (especially OTC) for many companies taking into consideration the continuing share redistribution of former government properties. As soon as the crisis after the economy collapse started to normalize, property reallocation was completed, and the Armenian economy started to breathe.

Corresponding legislation and laws were adopted and a special securities market regulation commission was created. This led to the immediate closing of dozens of brokerage companies who did not meet the minimal required standards and who had been operating inefficiently before and had previously taken advantage of the chaotic market situation. Armenbrok was one of the few companies that not only managed to survive but also raised its equity and remained one of the leaders on the local market. In 1995-1998, as a member of Yerevan Stock Exchange, Armenbrok became the leader in the corporate securities market, providing its clients with large variety of services, including brokerage, consulting, sub depository operations, corporate restructuring, M&A consulting, and investment banking. In 2000, with the establishment of the Armenian Stock Exchange self-regulatory organization, Armenbrok became a full member of the organization, as well as member of the Central Depository of Armenia.

The development of the capital market of Armenia to where it stands today was a long and challenging journey. For Armenbrok the last 14 years were equally challenging, but hard work and dedication lead to the desired results. Armenbrok today is one of the leading brokerage companies in Armenia, having controlled more than **60%** of the total stock traded volume on the NASDAQ OMX Armenia for 2008. Being the first company on the capital market in Armenia to have been reorganized as an open joint stock company, Armenbrok puts its best effort to provide effective modern services to local and international clients. We are fully transparent to our clients and shareholders. Armenbrok is the only company in Armenia where the entire professional staff holds securities market professional qualification certificates issued by the Central Bank of Armenia, based on passing special qualification. Armenbrok’s advantage is unique creativity in continuous development and high service quality, widening the range of activities and services, innovative and progressive mechanism adoption as well as hard work performed to remain a hundred percent customer oriented company. The Company’s objective is to provide stress-free service for domestic and international clients. The Company’s goal is to create an enduring relationship between the client and his broker, so he can meet his long- or short-term financial objectives.

Introduction of a new Law on Securities Market created new challenges for market players, as the regulative environment was changed and became even tougher.

Armenbrok passed a very difficult process of relicensing, taking into account its complex shareholders structure, which was not accepted by CBA. As a result Armenbrok stopped its activity for about 4 months, naturally affecting performance results for 2008. However Armenbrok was able to survive and overcome all of these problems and challenges and held his position in the market.

Armenbrok's slogan is "Money has no ideas - we have". Our in-depth knowledge of local markets, our wide network of professionals in the field, combined with a broad range of financial services, ensures first-class assistance to our clients' investments. Despite the low level of development in the Armenian securities market Armenbrok has developed a unique internal code of ethics which leads the company towards successful cooperation with foreign and local clients, satisfying their demands to the full extent. After reviewing a client's portfolio and financial health, the clients are advised by our trained staff on a list of investing instruments which suit them clearly and correctly. Profitable, effective, acceptable risk tolerance and successful investments for our clients- these are the main keys to the company success. We help our clients gain maximum results within the available and often limited funds and opportunities.

Armenbrok's activities are based on the vast experience and market research within key areas of the financial markets. The research team of Armenbrok provides its clients with analytical reports covering the key areas of Armenia's financial market, and conducts comprehensive industry analyses and reports. We track all of the changes in the economic system of the country, creating up to date economic research of the country for our foreign partners. We find out future trends of the market and the economy further developments, making up to date effective changes to our investing advice in order to get maximum results while maintaining risk.

To encourage open, honest, two-way communication, we survey our team members regularly to find out how they feel about their jobs and their company. Our team members' attitudes have the most influence on our clients and are a leading indicator of our ability to provide outstanding customer service. The management gives extended attention to the team members' opinions, ideas, and suggestions because only iron-hard team work can provide the efficiency of the whole system. Each employee should feel as an irreplaceable part of this system, putting his best efforts to make it work faster, more reliable and future unlimited growth oriented opportunities.

Trust, long term cooperation and in-depth understanding of cross interests- here are the principles that lay in the core of our work ethics.

Key Developments in 2008

1. Armenbrok passed a tough relicensing procedure and got relicensed in spite of problems related to the structure of the Company's shareholders.
2. The company changed its legal status, becoming the only open joint stock company among non bank investment players, which will ensure more transparent performance and efficient corporate governance of the Company.
3. Capital increase: successful implementation of private placement of new shares.
4. Participation of some reputable investment funds in the authorized capital of the Company.
5. Expanding the client base, and especially attraction of a number of foreign investors.
6. Signed the first Armenian IPO agreement, which will be implemented in 2009.
7. Strengthening of research activities of the firm: introducing new research products, such as Armenian Banking review and Capital market review.

Business Activity

Armenbrok OJSC has been the leader among non-bank investment companies over the last 12 years. The Company acts as a financial intermediary, providing services to local and foreign customers. The business environment of the company is mainly the Armenian financial market, particularly capital markets. During its life, Armenbrok has challenged the changing business environment, as the capital market of Armenia has faced major changes and developments since its creation. Being the only company to survive in this vulnerable environment, Armenbrok has succeeded in maintaining its unique place in Armenian capital market. Nowadays, Armenbrok is considered to be the leader in corporate securities market, having gained the trust of a large number of corporate, institutional and individual clients, resulting in the largest share of the market turnover in recent years. The Company's activities could be grouped into 6 categories:

1. Brokerage activities
2. Investment Banking
3. Dealing and Investments
4. Business Consulting
5. Currency Dealing
6. Custody

Brokerage

The core of Armenbrok's activities is our brokerage services. As a broker Armenbrok acts on Armenian capital market, both stock exchange and OTC, on behalf of its clients, making retail and large transactions with the securities of Armenian companies. Besides providing transactions, Armenbrok assist its clients in their relationship with

the Central Depository of Armenia (CDA), opening and servicing broker and depo accounts, helping with all of the necessary complicated procedures related to the depository. In addition, Armenbrok can provide short selling services and financing under securities collateral to its clients.

Unfortunately in 2008 brokerage activities of the Company were quite passive. The total income from this direction amounted to only AMD 3.5 mln, constituting only 2.3% of total income received by the Company in 2008. This figure has dropped by 93% y-o-y, mainly due to the decreasing trading activity in the market. However, Armenbrok still succeeded to remain first in the market based on transaction volumes. In 2008 Armenbrok concluded transactions with a total volume of AMD 157.3 mln, which constitutes more than 60% of total stocks trading volume at NASDAQ OMX Armenia. Transactions in OTC even exceeded the exchange trading volume reaching about AMD 173.9 mln.

Investment banking

Investment banking is a comparatively new area of financial services not only for Armenbrok, but for the Armenian financial intermediation system as a whole. To date very few public offerings or private placements of shares have taken place in the Armenian capital market. This is not surprising, taking into consideration the fact that the largest Armenian companies are still operating as closed joint stock companies. However a survey we conducted showed strong interest among private companies towards public and liquid financial instruments.

Armenbrok has already organized some public offerings and a number of private placements, raising capital for various companies and itself. The total income from this type of activity brought AMD 15.8 mln which constitutes about 10.2% of total income.

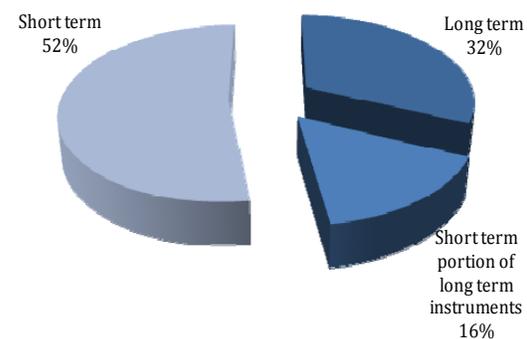
The Company has participated in the number of corporate bond placements, acting as a member of underwriting syndicate. Those projects include placement of corporate bonds of such companies as ArmRusGasprom (daughter company of Russian energy giant Gasprom) and Valetta (local trading company).

The Company is currently working on the first Armenian IPO project acting as a sole adviser and placement agent. This project is the largest placement project in Armenian capital market history: the total offering volume is AMD 3.45 bln. The company that implements this IPO is Artsakh HEK OJSC, which runs Hydro Power Plants on the territory of Nagorno Karabakh Republic. Armenbrok anticipates good results from this project, which will potentially create large revenue streams for the Company.

Dealing and Investments

Armenbrok investment company, apart from performing on behalf of its clients, accesses the Armenian capital market on its own account. To achieve its investment goals and objectives, Armenbrok has constructed an investment portfolio which is compliant with its investment strategy. Until 2007, Armenbrok had inherited a defensive investment strategy, keeping in line with the principle of «Buy and hold». In 2008 Armenbrok had to change the strategy and maintain high liquidity, thus investing in short term financial instruments. As presented on the figure 5, the long term

Figure 5. Investment Portfolio of Armenbrok by maturity



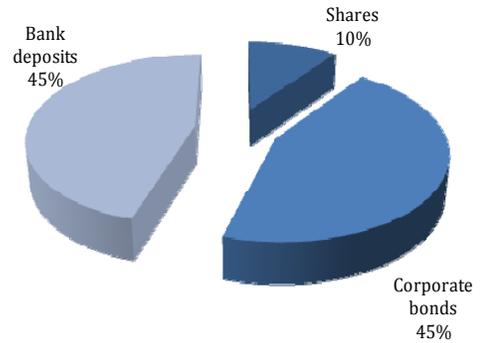
Source: Armenbrok Estimates

investments constitute only 32% of the total portfolio. The other 78% goes to short term investments as well as the short term portion of long term instruments. The total income from this portfolio as well as some dealing activities comprise AMD 126.3 mln or about 80% of total portfolio having increased by 201% y-o-y.

Business Consulting

Armenbrok has a qualified and trained staff that provides consulting services to its corporate and individual clients, including with financial and legal aspects of their activities. Those aspects can include consulting for corporate clients in mergers, acquisitions, commitment of large transactions and debt restructuring. In addition, Armenbrok provides feasibility studies and security design, fair market valuation on quarterly and annual basis, etc. The Company provides an individual approach and unique investment strategies to its clients, taking into account their investment goals and objectives. The income from this activity dropped by 6.7% y-o-y and amounted to AMD 4.9 mln which constitutes about 3.2% of total income generated by the Company.

Figure 6. Investment Portfolio of Armenbrok by types of instruments



Source: Armenbrok Estimates

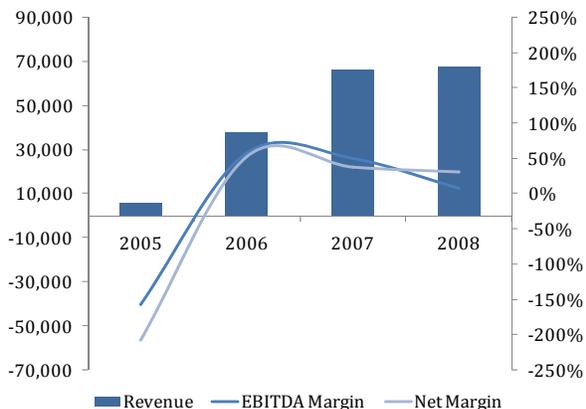
MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As of December 31, 2008 Armenbrok OJSC had executed the highest number of transactions on the Armenian Stock Exchange during the year (61.5% of stocks trading volume) among non-bank investment companies. However we must note that 2008 did not fully met our expectations and our initial projections for the future performance of the company. The reasons of are as follows:

1. The global financial crisis significantly reduced foreign capital inflow to Armenia, resulting in a decrease of trades in the NASDAQ OMX ARMENIA. In addition, local Armenian companies that were taking steps towards Initial Public Offerings delayed plans due to the crisis. These occurrences reduced business opportunities for Armenbrok, thus affecting financial performance results.
2. In mid-year 2008 Armenbrok started to pass the relicensing procedure according to the new Law on Securities Market. While passing this process, Central Bank of Armenia (CBA) temporarily ceased the activity of Armenbrok. This was caused by the unwillingness to understand our shareholder structure from the CBA side, which is known for its tough and conservative regulation. Central Bank applied strict normative for our foreign institutional shareholders, requiring a wide and 'wild' list of necessary documents for their registration as an authorized shareholder. As a result Armenbrok could not and did not make any transactions for four months - over an entire quarter. This naturally affected the financial performance of the Company. However Armenbrok managed to pass through the temporary difficulties and got relicensed by the Central Bank of Armenia (CBA) on 4 November 2008.
3. Armenbrok has raised its capital by AMD 950 mln in order to expand the range of its business activities and implement new services, particularly in lending activities. The latter could not be implemented as the CBA temporarily stopped the process as aforementioned. Currently, strong debates are being held between the CBA and the Government on the issue of allowing investment companies to implement credit activity in the market. The main purpose of it is to not allow companies involved in investment activities to take on additional risks by entering entirely new segments of the market. On the another hand Armenbrok has stopped taking active actions in this direction since due to the crisis effect, the loan market has become more risky, which is currently unacceptable for Armenbrok. This process, together with decreasing market activity allowed Armenbrok to use the raised funds as a working capital for ensuring implementation of future successful key activities of the company.

In spite of such difficulties Armenbrok succeeded to produce high positive income streams and high net margin in 2008.

The Company had revenue amounting to AMD 67.6 mln in 2008, which exceeds 2007 revenue by 2%. The Gross Income of the Company did decrease considerably however due to an increase in COGS, pushing down the Gross Margin from 87% in 2007 to 41% in 2008. This kind of change in COGS was not material based and rose as a result of changes in accounting policy. The Sells, General and Administrative (SG&A) expenses of the company have risen significantly (about 2x) to AMD 51.6 mln over the last year. The large portion (about 50%) of those expenses goes to cover employee remuneration and social taxes.



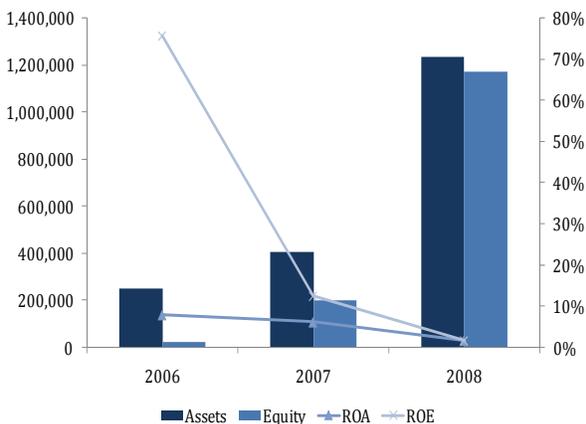
Along with SG&A growth Armenbrok has had significant income inflows from other operating income.

Distribution of Other operating income

	Inflow	Outflow	Net
Sales of inventory	3,063	0	3,063
Penalties	480	0	480
Other	49,871	24,402	25,469
Total	53,414	24,402	29,012

The largest portion of Other operating income constitute “other” part which includes interest income from debt securities held by the Company (as inflow) and securities revaluation differences (as outflow). The net of these two components comprise AMD 25.5 mln which contributes a lot to the net income of the Company.

After netting out SG&A and Other operating income from Gross profit, we arrive at EBITDA of AMD 5.4 mln, which translates into 8% EBITDA margin for the Company. This margin is too low against 50% Margin in 2007, which is a result of reduction in operating activity of the company.



Another principal item of the net income, which is worth mentioning, is non-operating income.

Distribution of Other non-operating income

	Inflow	Outflow	Net
FX activity	10,447	10,476	-29
Financial investments	24,326	0	24,326
Other	438	20	418
Total	35,211	10,496	24,715

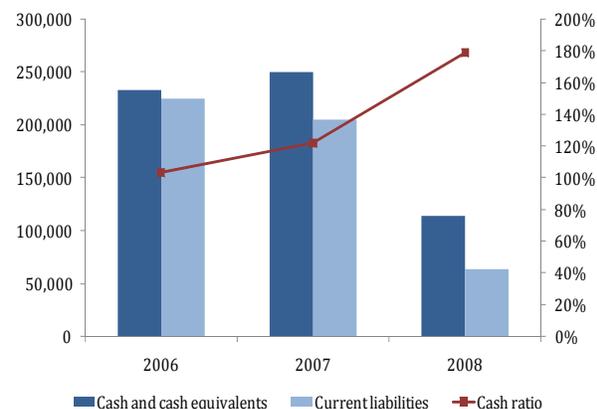
The largest part of other non-operating income constitutes income from financial investments, which is entirely covered by interest income, received from short-term financial instruments.

Netting out the Non-operating income from EBIT will give us earnings before

taxes, comprising AMD 26.6 mln. Profit tax charges for 2008 amounted to AMD 5.4 mln. And finally we arrive at Net Income of AMD 21.2 mln. This figure provides 31% Margin against 38% in 2007.

Looking to the composition of the Company's total expenses for 2008, we see that the main expense items for the company are employee salaries (including social security contributions) and office rent expenses.

Main operating expenses	
Employee salaries, incl. social security contributions	27,829,516
Rent	8,703,728
D&A	3,125,197
Transport & Communication	2,537,563
Marketing expenses	2,449,179
Office maintenance and utilities	2,009,092



Summarizing the Net income generation process, we see the income sources that contributed to the net income creation largely are interest income from various financial investments. This was a result of the lack of operating business opportunities, which pushed the Company to use raised funds in this direction in order to turn them into interest earning assets. It is noteworthy, that Armenbrok has provided high liquidity of its funds, investing them into only short term or high liquid financial instruments. Thus, the current assets constitute about 75% of total assets, pushing the current ratio up to 1453% and cash ratio - 178%. Such policy towards maintaining high liquidity of the Company has arisen due to two main reasons. The first reason is to hold the assets or at least some part of it as liquid as possible in order to have no shortage of cash in case of a convenient business opportunity arising. The other reason is the liquidity rally that is occurring all over the world. Though Armenian financial system does not yet have material liquidity problems, some elements of it can be seen in some Armenian banks. This pushes Armenbrok to maintain its liquidity on high level.

The total assets of the Company as of December 31, 2008 amounted to AMD 1.24 bln having increased 2.34x y-o-y. As said above, the largest part of the assets are short term current, total amount of which is AMD 933 mln. Within current assets, AMD 784.6 mln is attributable to short-term financial investments. Regarding fixed assets, about 95% of them constitute long-term financial investments of the company, amounting to AMD 295.6 mln

The total equity of the company has increased by 4.8x y-o-y due to capital raise. The retained earnings part of equity has increased only by AMD 1.5 mln in spite of AMD 21.2 mln increase in net income. This is explained by the fact that a considerable part of retained earnings of the company was addressed to increase the reserve capital, as presented below, which however did not make any changes to the total amount of company equity.

Regarding the liabilities side of the balance sheet, we note all the liabilities as spontaneously generated funds such as accounts payable and advances received. That's why all the liabilities are short term, amounting to AMD 64.2 mln. There are no debt type liabilities, making Armenbrok a *zero-leveraged* company. This, in the light of global financial crisis and poor operating income, makes the Company not exposed to any unnecessary financial risk.

MARKET ENVIRONMENT

Key Developments in 2008

Armenian capital market experienced significant developments in 2008, including a vast number of legislative, regulative and institutional changes and amendments to the operating structure of the market. Once NASDAQ OMX GROUP purchased the Armenian Stock Exchange in late 2007, the group immediately became involved in reforming the local capital market along with the Central Bank of Armenia and other government entities.

Institutional developments

One of the major new developments in 2008 was the adoption of the new *Law on Securities Market* (hereinafter the Law), which came to force in February 2008. This law created new principles in the market institutional structure. From a regulatory point of view, the Securities Market Commission was dissolved and all of its supervisory and regulatory functions were passed to the Central Bank of Armenia. The CBA officially became a unified supervisor of the entire financial market, including capital markets, banking sector, insurance companies, pension funds and other institutional investors. Thus, the Government implemented a new model of market regulation, persistent with international trends of financial regulation. However, the classical model of having a unified supervisor does not include any monetary policy function, which is currently in existence in our model. In addition, there is already a draft law *On Financial Market Supervisor* circulating in parliament, which considers creation of a new state regulatory body which will implement all the functions of a unified supervisor. The law would come to force on January 1, 2011. Monetary and financial supervisory functions would thus be separated, making both policy implementation and regulation more efficient and persistent with international standards.

Another major legislative change during the past year was the introduction of commercial banks to the capital market. This new regulation allows commercial banks to carry out investment activity directly in the capital market and become members of both the stock exchange and central depository. Thus, commercial banks became core players of the market, tightening competition between banks and non bank investment companies. This new regulation has placed a lot of pressure on non-bank investment companies as it has not become much harder to compete with banks that have greater resources to fund various investment operations.

The new Law also enforced all non-bank investment companies to pass relicensing procedures. The Law stated a wide range of requirements, including technical, financial (min. capital requirement), institutional (internal regulations for each type of activity) as well as requirements to the employees of the company (qualification certificates, granted by CBA on the basis of special exams). All existing non-bank investment companies met the requirements and were successfully relicensed. The relicensing law was also applied to the Armenian Stock Exchange and the Central Depository of Armenia. Both companies were re-registered and re-licensed on December 2, 2008.

The Central Bank of Armenia also registered revised rules that cover the operations of both companies, as well as the activity of the Armenian securities market - 18 Armex rules and 7 CDA rules in total. The new versions of these rules envisage requirements and procedures in line with proper international practices, as implemented worldwide by NASDAQ OMX, the owner of Armex and CDA. The introduction of such improved standards will promote the further development of a fair and efficient capital market in Armenia, making it even more attractive for investors. Thus, the new version of NASDAQ OMX Armenia "Securities Listing Rules" imposes more stringent information disclosure requirements from the companies listed on the stock exchange. Procedures for various services rendered by the stock exchange and the depository to market participants have also been automated and simplified.

Amendments to the *Law on Profit Tax* and the *Law on Value Added Tax* were prepared and approved by the Armenian Government, to provide companies that list their securities at the NASDAQ OMX Armenia special tax concessions. It is planned that the companies listed at NASDAQ OMX Armenia will receive compensation for the VAT paid on a number of services, including legal, marketing, audit, book-keeping services and those related to stock exchange activity. Furthermore, before 31 December 2012 the listed companies will get an opportunity to reduce by 50% the amount of the profit tax during three accounting listing years. The amount of the fast tax write-off is not to exceed 300 mln AMD for each year.

Organizational developments

NASDAQ OMX Armenia developed a new listing structure which corresponds to the international standards of exchange trading. Currently there are three tiers: Main list, Secondary list and Free market. Below are the core requirements for each tier.

1. **Main list.** min MCap - AMD 1,000.0 mln; min performance duration - 3 years; positive net income for at least 3 years; min number of shareholders - 100, min free float - 15%.
2. **Secondary list.** min MCap - AMD 500.0 mln; min performance duration - 3 years; min free float - 10%.
3. **Free market.** the only requirement is information disclosure necessity.

NASDAQ OMX Armenia extended its trading hours for corporate securities from one hour to four. This means that exchange trading in equities and corporate bonds now takes place each business day from 11:00 to 15:00. This significant improvement has become possible thanks to the deployment of new software modules that help automate pre- and post-trade processes. The modules developed by NASDAQ OMX Armenia are fully integrated with the clearing and settlement system operated by the Central Depository of Armenia. The introduction of this improved process ensures a more convenient and technologically capable trading environment for Armenian investment companies and banks, and represents yet another important step for NASDAQ OMX Armenia to achieve its goals in the Armenian market, namely to continuously develop the Armenian capital market through innovation, technology improvement and close cooperation with all stakeholders in the market.

As part of its efforts to enhance exchange trading opportunities in Armenia, NASDAQ OMX Armenia launched two new markets based on the Armenian Stock Exchange trading

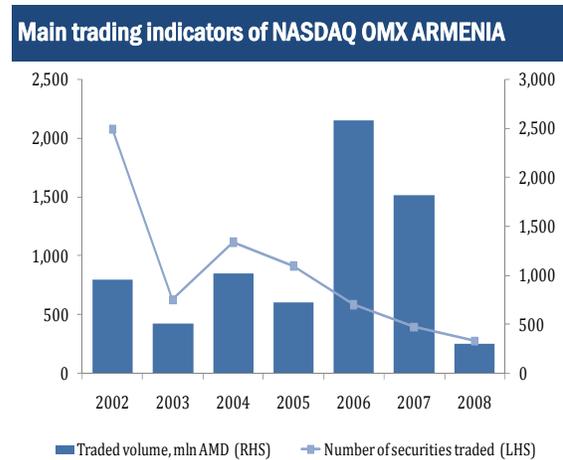
platform - repurchase agreements (REPO) on corporate securities, and manual trades. The launch of these two mechanisms covers another two important segments of the securities market and has become possible through close collaboration with all market participants. REPO trading that has previously been done directly among banks and investment companies is one of the stock exchange's long awaited new products. The exchange platform now in place for REPO agreements simplifies the trade execution process, makes it fully automated, more secure, and helps substantially reduce the time required to complete a trade. By launching an exchange mechanism for manual trades, NASDAQ OMX Armenia brings into regulation the over-the-counter (OTC) market for corporate securities. Such manual trades that were more likely to be executed off-exchange can from now be performed through the manual trades mechanism, according to the rules of the stock exchange. Again, the new mechanism implies significantly more flexibility and efficiency for the parties involved.

Market Trends

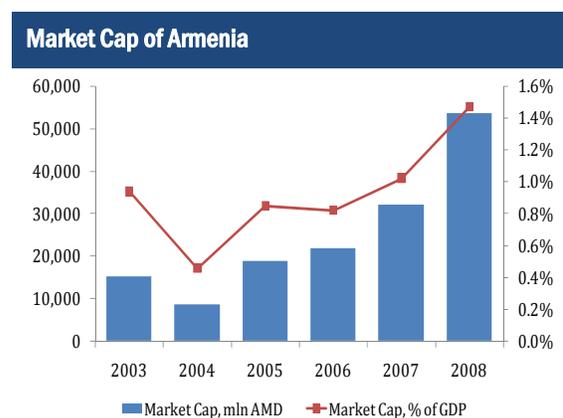
Equities market

Performance of the Armenian capital market in 2008 was quite mixed. From one side, market activity has demonstrated decreasing trends over the past few years. Particularly, the total trading volume in 2008 amounted to AMD 256 mln, decreasing by 83.1% y-o-y, against 29.4% y-o-y decrease in 2007. On the other side, the Market Cap has increasing constantly over the past several years. Thus, the compound growth rate for 2003-2008 period constituted 253.4% as against 125.5% growth of GDP for the same period. This pushed the Market Cap to GDP ratio up from 0.46% in 2004 to 1.47% in 2008. Moreover, increase in Market cap and concurrent decreases in trading volume has negatively affected to the market turnover ratio, decreasing it 10 times y-o-y.

Such kind of contradiction between market size and activity could have been explained by rapid decrease in the number of listed companies over the past few years, which occurred mainly due to the changes in market regulations implemented by the Central Bank of Armenia.. Before, companies whose equity levels with more than the minimal required volume were forced to become listed at Armex. The new regulation made listing optional for the companies, and as a result vast amount of companies were just “filtered out” of the exchange, affecting market activity. In spite of the “filtering out” of companies on the exchange, in-depth analysis of the trading structure showed that even in 2006, when the trading volume reached its historical max, about 90% of trading volume was covered by trades of shares currently listed on the exchange. This is shown in Table 1.



Source: NASDAQ OMX Armenia



Source: NASDAQ OMX Armenia

Table 1. Market concentration indexes

	Top 3 companies	Top 5 companies
Number of Securities Traded	98.3%	99.9%
Value Traded	87.4%	96.4%
Market Capitalization	89.2%	99.0%
Source: Armenbrok Estimates		

In addition, it is noteworthy that of the same group of listed companies increased in parallel with increases in Market Cap. This can be explained by fact that, first, the companies that were filtered out from the market constituted only a small share of Market Cap and thus only slightly affected MCap. Second, continual rises in the prices of the main traded companies, such as ArmEconombank, Armenian Development Bank and Pure Iron Plant brought significantly increased total capitalization even with the reduction of listed companies.

We can conclude that the contradictory trends of MCap and trading volume could rise in the result of very limited number of liquid shares in the market. Increasing demand for these shares in the light of absence of other instruments pushed the prices and therefore the MCap up, but unfortunately could not solve the problem as the supply of these instruments was very limited. This eventually resulted in reduction of trading volume in Armenian capital market.

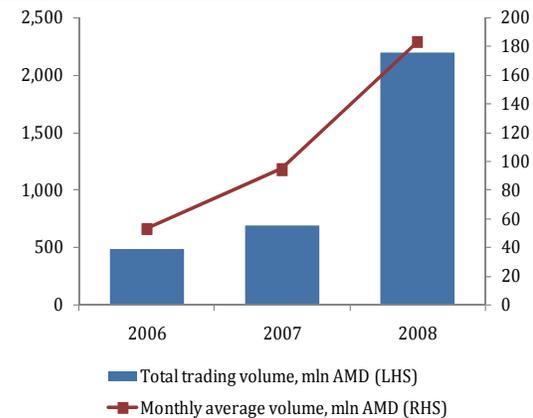
Fixed Income Market

The Fixed Income market of Armenia, unlike the equities market, has grown tremendously over the last year. The total volume of issued corporate bonds amounted to AMD 6.9 bln as against AMD 2.7 bln in 2007 and AMD 0.39 bln in 2006. During this time the secondary market was even more active. The total trading volume in 2008 comprised AMD 2.1 bln, increasing by 220% y-o-y. The monthly average volume amounted to AMD 182 mln, quite close to the annual trading volume of equities.

As of December 31, 2008, there were 13 bonds provided by 11 companies listed at NASDAQ OMX Armenia. The most traded bonds were those of Valetta (33.3% of total trading volume) followed by Armenian Copper Program (21.7%), Elite Group (14.6%) and ArmRusGasprom (13.8%). The bond market is not as concentrated as the equities market. Thus, the trading volume of the three largest companies constituted 69% of total trading volume.

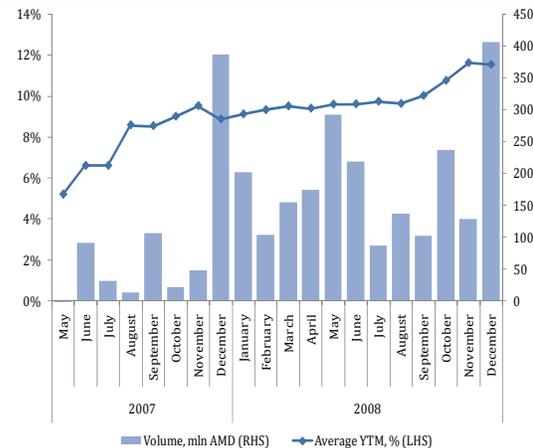
Looking at the trading figures by month, we see that the turnovers were quite dynamic, but not as stable as we would like to see. The trading volumes differ considerably by months. Along with that, one can see a sharp trend of YTM growth changing from 5% on May 2007 to 11.5% on December 2008. This trend went in line with entire financial market trends. Particularly the same patterns were observed in the banking sector, where deposit rate grew considerably to about 10-11% as of late December 2008, which can be explained by shortage of funds in banking sector. This also became an important incentive for the banks and other companies to start using instruments other than deposits (for banks) and credits (for companies) and thus they arrived at corporate bonds.

Main trading indicators of corporate bonds by years



Source: NASDAQ OMX Armenia

Corporate bond trading indicators by months



Source: NASDAQ OMX Armenia

Development of corporate bonds gives a rise to other type of instruments and particularly, repurchase agreements based on corporate bonds. Before REPO instruments were based mainly on government securities, but in 2008 a vast number of deals were commenced on corporate bonds REPO, pushing the total amount up to AMD 6.9 bln, exceeding corporate bonds trading volume more than 3 times. These instruments are exchanged mainly between bank and non-bank financial institutions.

REPORT OF INTERNAL CONTROL OVER THE OPERATING AND FINANCIAL PERFORMANCE

31 March, 2009

After investigating the financial condition and results of operation of “ARMENBROK” OJSC (hereinafter - the Company) for the year ended December 31, 2008, we arrived at the following conclusions:

■ In 2008 the Company was efficient enough to generate net income. The total revenue amounted to AMD 67,665 thousand and in comparison with the previous year increased by AMD 1,164 thousand. Earnings before taxes comprised AMD 26,657 thousand, AMD 1,942 thousand of which is income from operating activity and AMD 24,715 thousand is an income from non-operating activity. As of 01.01.2009 total assets of the Company amounted to AMD 1,235,995 thousand, authorized capital - AMD 531,150 thousand, shareholders' equity - AMD 1,171,793 thousand, total liabilities - AMD 64,202 thousand. The financial-economic activity of the Company for the year ended December 31, 2008 could be briefly characterized by the following indicators:

NAME OF THE INDICATOR	VALUE
Solvency Ratios	
Financial Leverage	1.055
Debt to Equity ratio	0.055
Working capital, '000 AMD	868,830
Liquidity Ratios	
Current ratio	14.533
Quick ratio	14.010
Activity and Efficiency Ratios	
Assets turnover ratio	0.082
Equity turnover ratio	0.099
Fixed assets turnover ratio	12.854
Current assets turnover ratio	0.112
Working capital turnover ratio	12.84
Receivables turnover ratio	3.380
Payables turnover ratio	0.502
Profitability Ratios	
Return on Assets (ROA)	0.026
Return on Equity (ROE)	0.031
Gross Margin	0.414
Operating margin	0.029
Earnings per share, AMD	39.95

- The Company has established a reserve fund which increased in 2008 by AMD 65,394 thousand and as of 01.01.2009 constitutes AMD 79,670 thousand. During Y2008 the reserve fund was not used.
- Information contained in financial statements and other financial documents truly characterizes situation of assets, liabilities, also financial consequences of Company's activity for the moment of their compilation.
- Resolutions of the Company's executive bodies, accountancy, financial and other reports are in pursuant with the relevant laws and other legal acts.
- Investigations of the Company's activity were made in correspondence with frequency and order stipulated by the rules on activity of the Internal Audit department.
- Annual independent audit for the company was implemented by one of international audit organization in Armenia, Baker Tilly Armenia.

Head of Internal Audit department,
"ARMENBROK" OJSC



Hayk Manaselyan

INDEPENDENT AUDITOR'S REPORT



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www.bakertillyarmenia.com

№ 0195
14 April 2009



APPROVED

P. Gevorgyan

**Managing Partner
Baker Tilly Armenia CJSC**

INDEPENDENT AUDITOR'S REPORT

**To the shareholders of the
“Armenbrok” OJSC**

We have audited the accompanying financial statements of Armenbrok OJSC (the Company), which comprise the balance sheet as at December 31, 2008, as well as the statements of financial results and cash flows for the year then ended (conformity with the economic normative requirements of investment company established by the RA Law “On Securities market” and the Normative Legal Acts of the Central Bank of Armenia, internal audit activity, statements submitted to the Central Bank of Armenia). These financial statements are the responsibility of the Armenbrok’s Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the National auditing standards and professional practice. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

THE AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

In our opinion, the annual balance sheet of Armenbrok OJSC as at December 31, 2008, as well as the statements of financial results and cash flows give a true and fair view of the financial position of the Company for the year then ended. In Armenbrok OJSC the accounting is conducted in accordance with the requirements of the Law "On Accounting", Accounting Principles and the Accounting Standards of the Republic of Armenia.

Khachik Beglaryan
Deputy Director, Auditor



FINANCIAL STATEMENTS

Balance Sheet 31 December, 2008

	Notes	‘000, AMD	
		2008 audited	2007 audited
ASSETS			
<i>Non-Current Assets</i>			
Fixed assets	3	5,453	5,075
Intangible assets	4	1,874	2,225
Other non-current financial assets	5	295,636	122,533
Total Non-Current Assets		302,963	129,833
<i>Current Assets</i>			
Current prepayments	6	114	5,227
Receivables as regards sales	7	32,759	1,256
Short-term receivables as regards Budget	8	113	10
Other receivables	9	510	-
Current financial investments	10	784,683	18,836
Cash and cash equivalents	11	114,818	250,719
Other current assets	12	35	19
Total current assets		933,032	276,067
Total assets		1,235,995	405,900
EQUITY AND LIABILITIES			
<i>Equity</i>			
Net amount of Charter capital	13	531,150	95,170
Commission Income		524,811	56,525
Accumulated profit		36,162	34,555
Reserve capital		79,670	14,276
Total Equity		1,171,793	200,526
<i>Current liabilities</i>			
Accounts payable as regards purchases		299	145
Current prepayments received		33	-
Short-term payables as regards Budget	14	440	5,190
Short-term payables as regards Social Insurance payments		-	243
Other accounts payable	15	63,430	199,796
Total Liabilities		64,202	205,374
Total Equity and Liabilities		1,235,995	405,900



Aram Kayfajyan
Manager

14.04.2009




Siranush Khlgatyan
Chief accountant

“Armenbrok” OJSC

Notes 1-16 represent inseparable part of these financial statements

Statement of Financial Results
01 January 2008-31 December 2008

	<i>Notes</i>	2008 <i>audited</i>	AMD ths. 2007 <i>audited</i>
Revenue		67,665	66,501
Cost of sale of services and realizations		(39,670)	(8,604)
Gross profit		27,995	57,897
Realization expenses		(331)	-
Administrative expenses		(54,734)	(27,620)
Other operating income		53,414	24,753
Other operating expenses		(24,402)	(23,442)
Other non-operating gain (loss)		24,715	825
Gain/(loss) before Profit tax deduction		26,657	32,413
Profit tax expenses		(5,439)	(7,196)
Net profit (loss) of the financial year	16	21,218	25,217


Aram Kayfajyan
Manager




Siranush Khlgatyan
Chief accountant

Statement on changes in Equity Capital
01 January 2008 -31 December 2008

AMD ths.

Names of Equity capital items	Charter Capital	Commission Income	Accumulated profit	Reserve capital	Total
Items					
Balance as of 31 December, 2006	15,170	-	9,838	1,500	26,508
Transactions with shareholders (owners) as regards shares	80,000	56,525	-	12,276	148,801
Net profit/(loss)	-	-	25,217	-	25,217
Internal movement	-	-	(500)	500	-
Balance as of 31 December, 2007	95,170	56,525	34,555	14,276	200,526
Transactions with shareholders (owners) as regards shares	435,980	533,680	(19,611)	-	950,049
Net profit/(loss)	-	-	21,218	-	21,218
Internal movement	-	(65,394)	-	65,394	-
Balance as of 31 December 2008	531,150	524,811	36,162	79,670	1,171,793

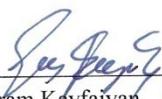

Aram Kayfajyan
Manager




Siranush Khlgatyan
Chief accountant

Cash Flow Statement
01 January 2008 -31 December 2008

	2008 <i>audited</i>	AMD ths. 2007 <i>audited</i>
Cash flow from operation activity		
<i>Net Profit</i>	21,218	25,217
Profit Tax expenses	5,439	7,196
Profit before taxation	26,657	32,413
Adjustments		
Depreciation and amortization	(681)	(735)
Not earned financial income as regards bonds	32,340	7,513
Not earned financial income as regards deposits, bonds and loans	33,038	6,822
Restocking of Charter capital at the expense of previous year's profit, Commission income, clients' means	416,566	70,250
Commission Income increase/ (decrease)	462,434	48,139
Restocking of reserve capital	65,394	12,775
Restocking of Charter capital at the expense of previous year's profit	(19,611)	-
Restocking of reserve capital at the expense of previous year's profit	-	(500)
Impairment (write-off) of fixed assets	4,100	3,391
Minimum Profit Tax	-	1
Exchange rate differences	30	1
	1,020,267	180,070
Accounts receivable (increase)/decrease	(27,019)	(5,478)
Accounts payable increase/(decrease)	(141,172)	(20,116)
Cash flow from operation activity	852,076	154,476
Profit tax	(5,439)	(7,196)
Net Cash flow from operation activity	846,637	147,280
Cash flow from investment activities		
Non-current financial assets (increase)/decrease	(205,443)	(117,254)
Current financial investments (increase)/decrease	(798,885)	(26,349)
Fixed assets (increase)/decrease	(3,447)	(4,537)
Net cash flow from investment activities	(1,007,775)	(148,140)
Cash flow from financial activity		
Charter capital restocking	19,414	9,750
Commission income increase/(decrease)	5,853	8385
Net cash flow from financial activity	25,267	18,135
Net increase/decrease in cash and cash equivalents	(135,871)	17,275
Exchange rate effect on Cash flow	(30)	(1)
Cash and cash equivalents at the beginning of the period	250,719	233,445
Cash and cash equivalents at the end of the period	114,818	250,719


 Aram Kayfajyan
 Manager




 Siranush Khlgatyan
 Chief accountant

Notes to Financial Statements

31 December, 2009

1. FOUNDING PAPERS OF THE ORGANIZATION

• CBA Registration Certificate	10
• Registration number	10
• Registration date	04 November, 2008
• Address	32/1 Tigran Mets av., area 8, Yerevan, Armenia
• License awarded by the CBA	0010
• Tax Code	00450096

On July 13, 2008, by the decision of the special meeting of the shareholders, the assets and liabilities (Cash totaling 51 AMD ths. and the Charter Capital totaling 51 AMD ths.) of “Master Capital” LLC were passed to “Armenbrok” OJSC, which was founded in the result of merging. On 04 November, 2008 the Organization was registered with the RA State Register of Legal Persons

TYPES OF ACTIVITIES

The main type of Company’s activity is the implementation of investment services. The Company may carry out any other activity, which is not prohibited by the RA Law “On Securities market”.

As the end of 2008, the number of Company’s employees is 9.

2. ACCOUNTING POLICY*Preparation of financial statements*

Financial Statements are prepared according to the requirements of Legal Acts regulating the RA Accounting system.

The applied accounting policy is the following:

Accounting Principles

The financial statements are prepared under the historical cost convention.

Financial Statements are prepared in Armenian Drams, which is the currency of presentations and transactions for the Company.

Inventories

The cost of sale of mutually replaceable inventories is decided by the FIFO formula-First in, first out.

The approach to the recognition of gains/(losses) of financial assets available for sale from the revaluation at their real value.

Financial assets for sale are revalued at their real value, and they are recognized in the statement of financial results.

Investments in subsidiaries, associated organizations, jointly supervised consolidations

They are calculated at their initial cost.

The approach to the determination the degree of completeness of transaction for the recognition of income as regards Construction agreements and Agreements of services to be completed.

The income is calculated, when it is possible to fairly value the result of transaction of the services provided as of the date of the financial statements on the basis of the degree of transaction completeness by the method of accruing.

Currency exchange differences

Currency exchange differences risen from currency exchange transactions, as well as from recalculation of money items in terms of foreign currency are recognized as income or expense in the statement of financial results, during the reporting period when they occur.

While preparing financial statements transactions with currency other than the one used in the Company's financial statements are calculated applying the exchange rates established by the CBA on the day of transaction. Money item in terms of foreign currency are recalculated applying the exchange rate established by the CBA on the date of Balance Sheet. For the year 2008 1 US Dollar is equal to 306.73 AMD ths., (for 2007 1 US Dollar is equal to 304.22 AMD ths.).

Loan expenditures

All kind of loan expenditures are recognized as expense during the period of their occurrence.

Taxes

Taxes are calculated according to the Tax Legislation of the Republic of Armenia.

Fixed Assets and Intangible assets

At the moment of initial recognition fixed assets are measured at their initial cost. The initial cost includes an acquisition cost and all the expenses (import duties. non-refundable taxes and other obligatory payments, transportation costs) incurred for bringing the assets to the working state and location needed for their purposeful use. Launching and similar pre-production charges are not included in the initial cost of non-current assets.

The approach to the calculation of expenditures after fixed assets acquisition depends on those circumstances, which have been taken into account during the initial measuring and recognition of fixed assets units.

All the further expenditures as regards fixed assets, including expenditures for maintenance and repair of fixed assets, are recognized as expense for the given period.

Further expenditures are capitalized also in the case when the purchase price of the asset already reflects the need of further expenditures for bringing the asset to the working state.

The depreciated amount of the unit of a fixed asset is periodically allocated over the useful life of the asset.

After the initial recognition fixed assets are measured with the following principles

Name of class	Basis of measure
Equipments	Initial cost
Production and household equipment	Initial cost
Accounting and computer software	Initial cost
Other fixed assets	Initial cost

Intangible asset is initially measured with its initial cost (cost of sale).

After the initial recognition intangible asset is calculated with its initial cost (taking into account further expenditures) less accumulated depreciation and any accumulated loss from depreciation.

Intangible asset should be recognized only in the case, when

- a) it is probable that future economic benefits related to the asset will flow to the Company,
- b) cost of asset may be fairly measured

The amortizable amount of intangible asset should be periodically allocated over the useful life of the asset determined on the basis of its best mark. Generally the useful life of asset does not exceed 20 years beginning with the date when the asset is available for use. The amortization should be calculated from the date, when the asset is available for use.

Short-term repayment to employees

Employees' short-term repayments are compensations given to employees (except for dismissal allowances and compensations with equity tools (or related to them), which are fully liable to be reimbursed during 12 months after the period, when the employees have provided the corresponding services.

Accounts Receivable

Accounts receivable are presented at initial value of the invoice (at initial cost), except for cases, when the effect of deduction is significant. In this case accounts receivable are measured with present (deducted) cost realizing the deduction with internal return rate, when the market prices of the transaction bringing forth the account receivable may be determined, and with the rate required from the Company in return for the loan (bank credit) during the current period, when it is not possible to determine the market prices of the transaction bringing forth the account receivable.

Accounts Payable

At the moment of initial acknowledgement accounts payable are presented at initial value of the invoice, except for cases, when the effect of deduction is significant. In this case the account payable is presented at the discounted value.

Account payable is written off the balance, when it is covered, i.e. when the liability set forth in the agreement has been covered, has been invalidated or when it is out of term.

Material errors

Material errors are the errors disclosed during the current period, they are of so great importance, that the financial statements of previous periods can't be viewed as fair as of the date of their presentation.

3. FIXED ASSETS

AMD ths.

Assets under operation	Machinery and equipment	Transportation means	Production and household equipment	Other fixed assets	<u>Total</u>
<u>Initial Cost</u>					
<i>End of previous period</i>	5,320	4,100	3,526	975	13,921
Increase	2,311	-	971	164	3,446
Disposal, liquidation	-	(4,100)	-	-	(4,100)
<i>End of current period</i>	7,631	-	4,497	1,139	13,267
<u>Depreciation</u>					
<i>Opening balance</i>	3,522	4,100	1,193	31	8,846
Accumulated amortization	2,132	-	730	206	3,068
Decrease	-	(4,100)	-	-	(4,100)
<i>Closing balance</i>	5,654	-	1,923	237	7,814
<u>Net carrying amount</u>					
End of the previous year	<u>1,798</u>	<u>-</u>	<u>2,333</u>	<u>944</u>	<u>5,075</u>
End of the current year	<u>1,977</u>	<u>-</u>	<u>2,574</u>	<u>902</u>	<u>5,453</u>

4. INTANGIBLE ASSETS

AMD ths.

Assets in operation	Computer Software	Total
Carrying amount		
End of Previous Year	3,709	3,709
<i>End of Current Year</i>	3,709	3,709
Depreciation		
Opening Balance	1,484	1,484
Accumulated amortization	351	351
<i>Closing Balance</i>	1,835	1,835
Net Carrying Amount		
End of Previous Year	<u>2,225</u>	<u>2,225</u>
<i>End of Current Year</i>	<u>1,874</u>	<u>1,874</u>

5. OTHER NON-CURRENT ASSETS

	<u>2008</u>	<i>AMD ths.</i> <u>2007</u>
Non-current financial assets available for sale	67,498	42,495
Gross revenue receivable as regards long-term investments kept until the maturity date	267,300	86,860
Not earned financial income as regards long-term financial assets accounted with amortized cost	(39,162)	(6,822)
Total	<u>295,636</u>	<u>122,533</u>

6. CURRENE PREPAYMENTS

	<u>2008</u>	<i>AMD ths.</i> <u>2007</u>
Current Prepayment for acquisition of services	105	230
Prepayments for other purposes	9	4,997
Total	<u>114</u>	<u>5,227</u>

7. ACCOUNTS RECEIVABLE AS REGARDS SALES

	<u>2008</u>	<i>AMD ths.</i> <u>2007</u>
Accounts receivable as regards sales of products	15,275	-
Accounts receivable as regards services provided, works completed	17,484	1,256
Total	<u>32,759</u>	<u>1,256</u>

8. SHOR-TERM RECEIVABLES AS REGARDS BUDGET

	<u>2008</u>	<i>AMD ths.</i> <u>2007</u>
Short-term receivables as regards VAT	100	-
Short-term receivables as regards Income Tax	13	10
Total	<u>113</u>	<u>10</u>

9. OTHER ACCOUNTS RECEIVABLES

	<u>2008</u>	<i>AMD ths.</i> <u>2007</u>
Accounts receivable as regards fines, penalties	480	-
Other current receivables	30	-
Total	510	-

10. CURRENT FINANCIAL INVESTMENTS

	<u>2008</u>	<i>AMD ths.</i> <u>2007</u>
Financial assets kept for trade purposes	11,655	-
Current financial assets available for sale	3,517	-
Gross revenue receivable as regards long-term investments kept until the maturity date	642,268	17,923
Short-term portion of gross revenue receivable as regards long-term investments kept until the maturity date	162,686	8,426
Gross revenue receivable as regards short-term loans provided	5,109	-
Not earned financial income as regards short-term financial assets accounted with amortized cost	(40,552)	(7,513)
Total	784,683	18,836

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in Cash Flow Statement include the following:

	<u>2008</u>	<i>AMD ths.</i> <u>2007</u>
Cash	1,261	5,222
Bank accounts	113,557	245,497
Total	114,818	250,719

12. OTHER CURRENT ASSETS

	<u>2008</u>	<i>AMD ths.</i> <u>2007</u>
Short-term receivables as regards social insurance payments	5	-
Deferred taxes as regards VAT	30	19
Total	35	19

13. CHARTER CAPITAL

	<u>2008</u>	<i>AMD ths.</i> <u>2007</u>
Charter capital	531,150	95,170

As the end of 2008 the Company's Charter capital totals 531.150 ths. AMD, which equals to 531.150 ordinary nominal documentary shares, the nominal value per each share is 1000 ths. AMD. All the 531.150 shares are distributed among the shareholders and are fully paid by them.

14. SHORT-TERM PAYABLES AS REGARDS BUDGET

	<u>2008</u>	<i>AMD ths.</i> <u>2007</u>
Profit Tax	440	5,004
VAT	-	184
Property Tax	-	2
Total	<u>440</u>	<u>5,190</u>

15. OTHER RECEIVABLES

	<u>2008</u>	<i>AMD ths.</i> <u>2007</u>
Accounts receivable as regards clients	63,430	199,796
Total	<u>63,430</u>	<u>199,796</u>

16. NOTES TO THE STATEMENT OF FINANCIAL RESULTS

STATEMENT OF FINANCIAL RESULTS

Classification of expenses according to their nature

	<i>AMD ths.</i>	
	<u>2008</u>	<u>2007</u>
Revenue from realization of products, goods, works, services	67,665	66,501
Other operating income	53,414	24,753
Raw materials used	(712)	-
Staff expenses	(27,806)	(10,250)
Expenditures as regards depreciation and amortization	(3,419)	(1,813)
Other operating expenses and expenditures	(87,200)	(47,603)
Operating profit	1,942	31,588
Gain/(loss) from non-operating activity	24,715	825
Profit from usual activity*	26,657	32,413
Profit Tax expenses	(5,439)	(7,196)
Net profit after the deduction of expenditure as regards Profit Tax	21,218	25,217

***INCOMES AND EXPENSES FROM USUAL ACTIVITY CLASSIFICATION ACCORDING TO THEIR NATURE**

	<u>2008</u>	<u>2007</u>
Income from usual activity		
Income from commissions received from brokerage activity	3,547	51,189
Income from dealing activity	59,829	15,808
Income from payments received from the activity of transfer agent	281	2,778
Income received from other services, including	20,854	12,534
<i>-securities distribution services</i>	15,897	7,219
<i>-consulting services</i>	4,957	5,315
Income from interests accrued from provided loans	23,734	-
Accrued income as regards investments in securities, including	28,961	2,203
-investments in state securities	-	-
-investments in other securities	28,961	2,203
Accrued income as regards repo and reverse repo agreements, including	296	-
<i>-repurchase repo agreements</i>	-	-
<i>-reverse repo agreements</i>	296	-
Accrued income as regards foreign currency transactions and foreign currency exchange rate differences, including	13,277	23,981
<i>-sale and purchase of foreign currency</i>	2,830	7,742
<i>-foreign currency exchange differences</i>	10,447	16,239
Other income from usual activity	5,511	7,574
Usual activity expenses		
Usual activity expenses	(129,633)	(83,654)
Net result of usual activity	26,657	32,413

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