ARMENBROK OJSC

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

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Armenbrok OJSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Armenbrok Open Joint Stock Company (the "Company") and its subsidiary (the "Group") as at 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 consolidated 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 Group's consolidated financial position and financial performance; and
- Making an assessment of the Group'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 Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Armenia;
- Taking such steps that are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended December 31, 2019 were approved by management on April 29, 2019.

On behalf of the Management:

Aram Kayfajyan
Chief Executive Officer

ARMENBROK

Siranush Khlghatyan
Chief Accountant

April 29, 2020
Yerevan, Republic of Armenia

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of "Armenbrok" Open Joint Stock Company

Opinion

We have audited the consolidated financial statements of "Armenbrok" Closed Joint Stock Company (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Arpine Ghevondyan
Audit Director

April 29, 2020
Yerevan, Republic of Armenia

Deloitte Armenia CJSC

Armenbrok OJSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019
In AMD thousands unless otherwise stated

	Notes	December 31, 2019	December 31, 2018
Assets			
Cash and cash equivalents	13	59,816	66,121
Financial assets at fair value through profit or loss	14		
- Held by the Group	14	1,598,461	1,454,568
- Pledged under repurchase agreements	14	680,386	171,643
- Pledged under borrowings from financial institutions	14	63,122	129,075
Financial assets at fair value through OCI	15		
-Held by the Group	15	1,018,885	684,522
-Pledged under repurchase agreements	15	6,524,963	5,625,060
-Pledged under borrowings from financial institutions	15	152,993	599,479
Investment in associate	16	71,134	44,170
Property, equipment and intangible assets	18	42,542	49,132
Other assets	17	41,772	30,848
Total assets		**10,254,074**	**8,854,618**
Equity			
Share capital	19	267,150	267,150
Share premium		208,011	208,011
Statutory general reserve		79,670	79,670
Financial assets at fair value through OCI reserve		936,522	777,520
Retained earnings		1,493,588	1,027,238
Total equity		**2,984,941**	**2,359,589**
Liabilities			
Amounts due to financial institutions	21	180,063	667,420
Repurchase agreements	20	6,737,355	5,524,087
Current income tax liabilities		95,838	83,912
Deferred tax liabilities	11	205,213	181,079
Other liabilities	22	50,664	38,531
Total liabilities		**7,269,133**	**6,495,029**
Total liabilities and equity		**10,254,074**	**8,854,618**

Approved for issuance on April 29, 2020:

Aram Kayfajyan
Chief Executive Officer

Siranush Khlghatyan
Chief Accountant

ARMENBROK

April 29, 2020
Yerevan, Republic of Armenia

Notes on pages 8-38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

In AMD thousands unless otherwise stated

	Notes	2019	2018
Interest income	7	790,814	787,526
Interest expense	7	(410,427)	(392,247)
Net interest income		**380,387**	**395,279**
Fee and commission income	8	263,664	194,646
Fee and commission expense	8	(103,875)	(86,026)
Net fee and commission income		**159,789**	**108,620**
Net gain from financial assets at fair value through profit or loss	9	210,681	126,383
Net gain from derecognition of financial assets measured at fair value through other comprehensive income		191,552	140,081
Other income		618	2,965
Staff costs		(157,779)	(119,212)
Administrative expenses	10	(75,278)	(65,969)
Negative goodwill	6	2,590	-
Share of profits of associate	16	26,964	9,900
Recovery of provision	25	67,753	11,217
Profit before income tax		**807,277**	**609,264**
Income tax expense	11	(113,850)	(109,118)
Profit for the year		**693,427**	**500,146**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on investments measured at FVOCI		417,546	67,909
Less: Cumulative gain on investments in reclassified to profit or loss upon sale		(223,642)	(187,417)
Income tax effects of the movement in other comprehensive income		(34,902)	23,902
Other comprehensive income, net of tax		**159,002**	**(95,606)**
Total comprehensive income for the year		**852,429**	**404,540**
Earnings per share			
Basic and diluted	12	2.60	1.87

Notes on pages 8-38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
In AMD thousands unless otherwise stated

	Notes	Share capital	Share premium	Statutory general reserve	Financial assets at fair value through other comprehensive income reserve	Retained earnings	Total
Balance at January 1, 2018		267,150	208,011	79,670	873,126	740,812	**2,168,769**
Profit for the year		-	-	-	-	500,146	**500,146**
Other comprehensive income for the year, net of income tax		-	-	-	(95,606)	-	**(95,606)**
Total comprehensive income for the year		**-**	**-**	**-**	**(95,606)**	**500,146**	**404,540**
Dividends declared	19					(213,720)	**(213,720)**
Balance at December 31,2018	19	**267,150**	**208,011**	**79,670**	**777,520**	**1,027,238**	**2,359,589**
Profit for the year		-	-	-	-	693,427	**693,427**
Other comprehensive income for the year, net of income tax		-	-	-	159,002		**159,002**
Total comprehensive income for the year		**-**	**-**	**-**	**159,002**	**693,427**	**852,429**
Dividends declared	19	-	-	-	-	(227,077)	**(227,077)**
Balance at December 31, 2019	19	**267,150**	**208,011**	**79,670**	**936,522**	**1,493,588**	**2,984,941**

Notes on pages 8-38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
In AMD thousands unless otherwise stated

	Notes	2019	2018
Cash flows from operating activities			
Interest received		984,191	842,656
Interest paid		(409,304)	(390,828)
Fee and commissions received		283,728	210,506
Fee and commissions paid		(109,171)	(94,784)
Net foreign exchange loss		68	61
Other operating income		825	28,940
Salary and other related payments		(129,158)	(81,006)
Other operating expenses paid		(136,708)	-
Cash flows from operating activities before changes in operating assets and liabilities		484,471	515,545
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets			
Reverse repurchase agreements		245	172,473
Investments in securities		(252,734)	461,008
Other assets		(1,874)	-
Increase/(decrease) in operating liabilities			
Amounts due to financial institutions		1,293	(918,552)
Repurchase agreements		630,430	-
Other liabilities		(465)	-
Net from operating activities before income tax		861,366	230,474
Income tax paid		(106,364)	(82,429)
Net cash from operating activities		**755,002**	**148,045**
Cash flows from investing activities			
Purchase of property and equipment and intangibles	18	(3,180)	(21,606)
Acquisition of subsidiary	6	(531,600)	-
Disposal of property and equipment and intangibles		-	1,800
Other investing activities		-	7,524
Net cash used in investing activities		**(534,780)**	**(12,282)**
Cash flows from financing activities			
Dividends paid		(227,077)	(213,720)
Net cash used in financing activities		**(227,077)**	**(213,720)**
Net decrease in cash and cash equivalents		**(6,855)**	**(77,957)**
Cash and cash equivalents at beginning of the year	13	67,346	145,200
Effect of FX fluctuations on cash and cash equivalents		(469)	103
Cash and cash equivalents at end of the year	13	**60,022**	**67,346**

Notes on pages 8-38 form an integral part of these consolidated financial statements.

1. REPORTING ENTITY

"Armenbrok" OJSC (the Company), is an investment company regulated by the legislation of RA. The Company was registered on 4 November 2008 by the Central Bank of Armenia under license number 10. "Armenbrok" OJSC and its subsidiary (collectively – the "Group") comprise Armenian open joint stock companies as defined in the Civil Code of the Republic of Armenia.

As at December 31, 2019 and 2018, the ultimate controlling party of the Group was Aram Kayfajyan.

The Group carries out its activities in the securities and foreign currency markets, in particular:

- securities placements;
- trust management of securities;
- securities brokerage and dealing;
- registrar and depository services;
- consultations on securities market;
- non-cash foreign currency trading operations.

The Group's registered office is Tigran Mets 32/1 Avenue, 0018, Yerevan, Republic of Armenia.

Number of employees as at December 31, 2019 was 20 (December 31, 2018: 21).

For subsidiary information, please see note 6.

Regulatory environment

Government regulators oversee the conduct of the Group's businesses 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 Group's operations are conducted in the RA. Consequently, the Group and its assets are exposed to the economic and financial markets of the Republic of Armenia 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.

The assets are primarily based in the Republic of Armenia. Emerging markets such as Armenia are subject to different risks than more developed markets. 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 Group'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 Group's control. Deterioration in credit markets, reductions in short-term interest rates, and decreases in securities valuations negatively impact the equity of the Group.

The accompanying consolidated 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 Group 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 Group; 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.

Further, 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 Group 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 Group’s business largely depends on the duration and the incidence of the pandemic effects on the world and Armenian economy.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs).

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Group maintains its accounting records in accordance with requirements of the Armenian legislation. The Group makes adjustments and reclassifications for the preparation and presentation of the consolidated financial statements in accordance with IFRS.

These consolidated financial statements have been prepared on the historical cost basis. 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 Group 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 consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 and IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised 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 Group presents its consolidated statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 25.

Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). Armenian dram ("AMD") is the currency of the RA and the Group's and its subsidiary'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 financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally 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 consolidated statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

The principal accounting policies are set out below. Accounting policies presented herein have been consistently applied throughout the entire periods presented in these consolidated financial statements.

Foreign currency transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognized in comprehensive income in the month when they arise.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

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

	Average Rate		**Spot Rate**	
	2019	**2018**	**December 31, 2019**	**December 31, 2018**
AMD/1 US Dollar	480.24	483.03	479.7	483.75
AMD/1 Euro	537.46	570.05	537.26	553.65

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group 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 recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the

marketplace.
All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).
- Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:
- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'finance income – interest income' line item.

Debt instruments classified as at FVTOCI

The corporate bonds held by the Group are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together
- and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.
Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income – other' line item in profit or loss.

The Group designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition.
Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI to are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.
The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised 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 amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Asset management activities and commission income

Portfolio and other management fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded rateably over the period the service is provided.

Asset management and administration fees relate to fees earned on fiduciary activities where the Group holds or invests assets on behalf of its clients, and provides other asset-based financial services. These fees are based upon daily balances of client assets invested in these funds. The Group also earns asset management fees for advice solutions, which include advisory and managed account services. The fair values of client assets included in funds are based on quoted market prices and other observable market data.

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

Security transactions and related investment income

Securities transactions are accounted for on trade date (date securities are purchased or sold). Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date. The securities that represent unit holdings in investment funds are transacted at net asset value per unit as published or reported by the respective funds.

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 realised and unrealised fair value changes and foreign exchange differences, and where applicable includes interest and dividend income. The gain or loss from units held in funds reflects the changes in net asset values per units held.

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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 before tax differs 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 Group 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after January 1, 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 impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

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

(a) Impact of the new definition of a lease

The Group has 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 be applied to those contracts entered or modified before January 1, 2019.
The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after January 1, 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i) Operating leases

IFRS 16 changes how the Group 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 Group:

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;
Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating 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 Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'salary and other operating expenses' in profit or loss. The Group has made an assessment of lease agreements as at December 31, 2019 and 2018, and opted to use exemption of leases, so the effect on the consolidated financial statements has no impact.

(ii) Finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. There was no effect from initial application of IFRS 16 as the Group did not have finance lease as of January 1, 2019.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

The adoption of IFRS 16 has not had a material impact on the consolidated financial statements due to the short term nature of the existing lease agreements. Management estimates that within the next 12 months the Group with sufficient probability occupy new premises.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI. The adoption of the amendment has not had a material impact on the consolidated financial statements.

4. NEW AND REVISED IFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

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

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

Amendments to IAS 1 and IAS 8	*Definition to Material*
Conceptual Framework	*Amendments to References to the* Conceptual Framework *in IFRS Standards*

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 January 1, 2020, with earlier application permitted. The management of the Group does not expect that the application of these changes will have an impact on the consolidated financial statements of the Group.

Amendments to References to the Conceptual Framework in IFRS Standards. Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after January 1, 2020, with early application permitted. The management of the Group does not expect that the application of these changes will have an impact on the consolidated financial statements of the Group.

5. USE OF ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts recognized in the consolidated 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 that have the most significant effect on the amounts recognized in the consolidated 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. 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. Fair value measurements are discussed in note 25.

6. ACQUISITION

In June 2019 "Armenbrok" OJSC acquired 100% shares of "Capital Investments" CJSC (the "subsidiary"). "Capital Investments" CJSC operated in the Armenian capital market since 2006, based on the license granted by the Central Bank of Armenia. The main business activities of the subsidiary are portfolio management, security underwriting, brokerage and dealing, corporate finance, custody, recordkeeping and investment advisory.

Acquisition of "Capital Investments" CJSC	**2019**
Cash and cash equivalents	32,460
Financial Assets at fair value through profit or loss	204,572
Financial assets at fair value through OCI	55,842
Receivables	222,600
Prepayments and other receivables	60,660
Property, plant and equipment	32
Computers and computer software	747
Intangible assets	37
Deferred tax assets	6,328
Other assets	15
Total Assets	**583,293**
Borrowings	(4,389)
Deferred Income	(3,713)
Payables	(2,376)
Provision	(6,165)
Total Liabilities	**(16,643)**
Total identifiable assets acquired and liabilities assumed	**566,650**
Goodwill	(2,590)
Total consideration	**564,060**

Satisfied by:	
Cash	564,060
Total consideration transferred	**564,060**
Net cash outflow arising on acquisition:	
Cash consideration	564,060
Less: cash and cash equivalent balances acquired	(32,460)
	531,600

7. NET INTEREST INCOME

	2019	2018
Interest income:		
Financial assets at fair value through other comprehensive income	782,737	781,658
Interest income from bank accounts and deposits	5,706	3,331
Reverse repurchase agreements	245	1,270
Other assets	2,126	1,267
Total interest income	**790,814**	**787,526**
Interest expense:		
Repurchase agreements	(393,350)	(366,958)
Borrowings from financial institutions	(17,071)	(23,903)
Other	(6)	(1,386)
Total interest expense	**(410,427)**	**(392,247)**
Net interest income	**380,387**	**395,279**

8. FEE AND COMMISSION INCOME AND EXPENSE

	2019	2018
Fee and commission income:		
Maintenance of securities registry	83,473	60,550
Securities registration	69,017	45,387
Securities placement and pricing	42,740	38,632
Advisory services	29,436	18,607
Securities account opening and maintenance	26,177	23,700
Brokerage services	8,207	4,892
Providing information	1,972	1,769
Other commission income	2,642	1,109
Total fee and commission income	**263,664**	**194,646**
Fee and commission expense:		
Services provided by the depositary	(99,451)	(78,627)
Stock exchange commission	(2,876)	(5,922)
Other commission expense	(1,548)	(1,477)
Total fee and commission expense	**(103,875)**	**(86,026)**
Net fee and commission income	**159,789**	**108,620**

9. NET GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
Net change in fair values	211,967	126,447
Net loss from dealing operations in foreign exchange	(1,286)	(64)
Net gain on financial assets at fair value through profit or loss	**210,681**	**126,383**

10. ADMINISTRATIVE EXPENSES

	2019	2018
Lease expense	18,000	17,560
Professional services	13,042	9,922
Depreciation and amortisation	10,116	7,831
Office and administrative expense	9,986	8,705
Representation expenses	9,155	4,565
Travel and trainings	4,334	4,678
Taxes other than income tax, penalties	4,217	9,632
Advertising expenses	3,449	121
Communication expenses	2,326	1,878
Other	653	1,077
Total administrative expenses	**75,278**	**65,969**

11. INCOME TAX

	2019	2018
Current income tax expense	118,290	105,211
Deferred tax benefit/expense	(4,440)	3,907
Total income tax expense	**113,850**	**109,118**

The Group 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, which may differ from IFRS.

The Group 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 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% (effective January 1, 2020 the corporate tax rate is 18%) payable by entities in the RA on taxable profits (as defined) under tax law in that jurisdiction.

	2019		2018	
Profit before income tax	**807,277**		**609,264**	
Tax at the statutory tax rate	161,455	20.0%	121,853	20%
Changes in tax rate recognized in profit or loss	(23,056)	(2.9%)	-	-
Non-taxable income	(24,549)	(3.0%)	(12,735)	(2.1%)
Income tax expense	**113,850**	**14.1%**	**109,118**	**17.9%**

Deferred tax calculation in respect of temporary differences as at December 31, 2019 and 2018 is as follows:

		Recognised in profit or loss			Recognised in other comprehensive income	
	January 1, 2019	Acquired through business combination	Charge for the year	Effect of change in statutory tax rate	Charge for the year	December 31, 2019
Deferred tax assets						
Loss carried forward	-	6,328	(6,328)	-	-	-
Other liabilities	2,753	-	3,203	(593)	-	5,363
Other assets	102	-	(63)	(4)	-	35
Cash and cash equivalents	245	-	(204)	(4)	-	37
Total deferred tax assets	**3,100**	**6,328**	**(3,392)**	**(601)**	**-**	**5,435**
Deferred tax liabilities						
Investment securities	(182,212)	-	(15,257)	23,657	(34,902)	(208,714)
Property and equipment	(1,967)	-	33	-	-	(1,934)
Total deferred tax liabilities	**(184,179)**	**-**	**(15,224)**	**23,657**	**(34,902)**	**(210,648)**
Net deferred tax liability	**(181,079)**	**6,328**	**(18,616)**	**23,056**	**(34,902)**	**(205,213)**

	January 1, 2018	Effect of adoption of IFRS 9	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2018
Deferred tax assets					
Other liabilities	1,985	-	768	-	2,753
Other assets	-	116	(14)	-	102
Cash and cash equivalents	-	538	(293)	-	245
Total deferred tax assets	**1,985**	**654**	**461**	**-**	**3,100**
Deferred tax liabilities					
Investment securities	(201,746)	-	(4,368)	23,902	(182,212)
Property and equipment	(1,967)	-	-	-	(1,967)
Total deferred tax liabilities	**(203,713)**	**-**	**(4,368)**	**23,902**	**(184,179)**
Net deferred tax liabilities	**(201,728)**	**654**	**(3,907)**	**23,902**	**(181,079)**

12. EARNINGS PER SHARE

	December 31, 2019	December 31, 2018
Profit for the year	693,427	500,146
Weighted average number of shares	267,150	267,150
Earnings per share - basic and diluted	**2.60**	**1.87**

13. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash on hands	4,448	1,506
Current accounts	55,574	65,840
Less: allowance for impairment losses	(206)	(1,225)
Total cash and cash equivalents	**59,816**	**66,121**

None of the balances are past due or impaired.

Allowance for impairment losses is recognised as per IFRS 9 adoption requirements and represents Stage 1 asset-related allowance. A reconciliation of the impairment loss allowance by stages in accordance with IFRS 9 is as follows:

	2019		2018	
	Stage 1	**Total**	**Stage 1**	**Total**
Impairment loss allowance at January 1	1,225	**1,225**	2,693	**2,693**
Recovery for the year	(1,019)	**(1,019)**	(1,468)	**(1,468)**
Impairment loss allowance at December 31	**206**	**206**	**1,225**	**1,225**

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2019	**December 31, 2018**
Debt Instruments		
Corporate debt instruments	1,965,633	1,511,334
Total debt instruments	**1,965,633**	**1,511,334**
Equity Instruments		
Fund units held	331,825	234,118
Corporate equity instruments	44,511	9,834
Total equity investments	**376,336**	**243,952**
Total financial assets at fair value through profit or loss	**2,341,969**	**1,755,286**

Corporate debt securities represent securities issued by companies operating in the Republic of Armenia bearing fixed coupon interest rates between 5% to 11.5 % p.a. (2018: 5.25% to 14% p.a.) and maturing between 2020-2024 (2018: 2019 to 2022). The fair value of these instruments is measured using valuation techniques applying current market rates to discounted future cash flows or quoted prices.

Investments in fund units represent unit holdings in funds under the Group’s investment management and managed externally. These units are carried at Group’s share of the net asset value of the funds as at reporting date.

As at December 31, 2019 financial assets at fair value through profit or loss represented by Corporate debt securities in the amount of AMD 63,122 thousand (December 31, 2018: AMD 129,075 thousand) are pledged with financial institutions that provide borrowings or credit facilities to the Group.

As at December 31, 2019 financial assets at fair value through profit or loss in the amount of AMD 680,386 thousand (December 31, 2018: AMD 171,643 thousand) are pledged under repurchase agreements with local banks.

Pledged assets are discussed in notes 20 and 21. Fair value measurements are presented in note 25.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

	December 31, 2019	**December 31, 2018**
Held by the Group		
Debt instruments		
Government securities of the Republic of Armenia	1,018,885	684,522
	1,018,885	**684,522**
Debt instruments pledged under borrowings from financial institutions and repurchase agreements		
Government securities of the Republic of Armenia pledged under borrowings	152,993	599,479
Government securities of the Republic of Armenia pledged under repurchase agreements	6,524,963	5,625,060
Total securities pledged	**6,677,956**	**6,224,539**
Total financial assets at fair value through other comprehensive income	**7,696,841**	**6,909,061**

Government debt securities represent securities issued by the Ministry of Finance of Armenia bearing fixed coupon interest rates between 8% to 13 % p.a. (2018: 9% to 13% p.a.) and expiring between 2021-2036 (2018: 2020 to 2036). The fair value of these instruments is measured using valuation techniques applying current market rates to discounted future cash flows or quoted prices.

Fair value measurements are presented in note 25.

16. INVESTMENT IN ASSOCIATE

	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group as at December 31, 2019	2018
Glocal Asset Management CJSC	Fund Manager	Yerevan, Armenia	33%	33%

In 2018 the Company made an investment in newly incorporated Glocal Asset Management cjsc, whose primary operations comprise of non-public fund management services. Summarised financial information in respect of this investment is set out below, prepared from the associate's IFRS financial statements.

"Glocal Asset Management CJSC"	**December 31, 2019**	**December 31, 2018**
Balance at the beginning of the period	44,170	**34,270**
Group's share of the associate's profit for the year	26,964	9,900
Total	**71,134**	**44,170**

"Glocal Asset Management" CJSC	**2019**	**2018**
Revenue	57,516	40,854
Profit and other comprehensive income for the year	81,709	30,000

17. OTHER ASSETS

	December 31, 2019	**December 31, 2018**
Other financial assets		
Loans to employees	11,640	4,448
Receivables on services provided	30,022	30,158
Less: allowance for impairment loss	(7,414)	(7,709)
	34,248	**26,897**
Other non-financial assets		
Prepayments given	3,603	3,951
Other	3,921	-
	7,524	**3,951**
Total other assets	**41,772**	**30,848**

Allowance for impairment losses is recognised as per IFRS 9 adoption requirements and represents Stage 1 asset-related allowance. A reconciliation of the impairment loss allowance by stages in accordance with IFRS 9 is as follows:

	December 31, 2019	**December 31, 2018**
Beginning of year	7,709	7,546
Charge/(recovery) for the year	(295)	163
Closing balance at the end of the year	**7,414**	**7,709**

18. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Communication devices and computers	Motor Vehicles	Other	Intangible assets	Total
Cost					
At January 1, 2018	**15,724**	**45,220**	**20,308**	**8,367**	**89,619**
Additions	913	17,579	3,114	-	21,606
Disposals	-	(12,872)	-	-	(12,872)
At December 31, 2018	**16,637**	**49,927**	**23,422**	**8,367**	**98,353**
Additions	515	-	2,380	285	3,180
At December 31, 2019	**17,152**	**49,927**	**25,802**	**8,652**	**101,533**
Accumulated depreciation					
At January 1, 2018	**14,991**	**20,629**	**11,673**	**6,969**	**54,262**
Depreciation charge	1,010	4,918	1,503	400	7,831
Disposals	-	(12,872)	-	-	(12,872)
At December 31, 2018	**16,001**	**12,675**	**13,176**	**7,369**	**49,221**
Depreciation charge	734	5,837	2,799	400	9,770
At December 31, 2019	**16,735**	**18,512**	**15,975**	**7,769**	**58,991**
Net book value					
At January 1, 2018	**733**	**24,591**	**8,635**	**1,398**	**35,357**
At December 31, 2018	**636**	**37,252**	**10,246**	**998**	**49,132**
At December 31, 2019	**417**	**31,415**	**9,827**	**883**	**42,542**

At December 31, 2019 property and equipment included fully depreciated assets with original cost of AMD 27,620 thousand (2018: AMD 26,364 thousand).

19. EQUITY

As of December 31, 2019 AND 2018 the Company’s registered and paid-in share capital was AMD 267,150 thousand represented by 267,150 ordinary shares of AMD 1,000 each. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share. The share capital of the Company was contributed by the participants in Armenian Drams and they are entitled to dividends and any capital distribution in Armenian Drams. In 2019 AMD 227,077 thousand dividends were declared and paid (2018: AMD 213,720 thousand).

The respective shareholders at December 31, 2019 and December 31, 2018 were as follows:

	December 31, 2019		December 31, 2018	
	Paid-in share capital	% of total paid in capital	Paid-in share capital	% of total paid in capital
Aram Kayfajyan	115,393	43.19%	115,393	43.19%
GERMAN CAUCASIAN TRADING LTD	72,934	27.30%	72,934	27.30%
Ashot Changaryan	27,000	10.11%	27,000	10.11%
Other shareholders	51,823	19.40%	51,823	19.40%
	267,150	**100.00%**	**267,150**	**100.00%**

The Company’s distributable reserves among participants are limited to the amount of its accumulated retained earnings as disclosed in its statutory accounts in accordance with the legislation of the RA. Non-distributable reserves are represented by a main reserve fund, which is created as required by the statutory regulations, in respect of general risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Charter of the Group and its subsidiary that provide for the creation of a reserve for these purposes a minimum of 15% of Share capital.

20. TRANSFERS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has transactions under repurchase or reverse repurchase agreements. The securities lent or sold under repurchase agreements are transferred to a third party in exchange for cash received by the Group. These financial assets may be re-pledged or resold by counterparties in the absence of default, but the counterparty has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Group acts as intermediary.

Repurchase agreements

	December 31, 2019	December 31, 2018
Fair value of own financial assets at fair value through other comprehensive income transferred and pledged under repurchase agreements	6,524,963	5,625,060
Fair value of own financial assets at fair value through profit or loss transferred and pledged under repurchase agreements	680,386	171,643
Total financial assets transferred and pledged under repurchase agreements	**7,205,349**	**5,796,703**
Carrying amount of associated liabilities	**6,737,355**	**5,524,087**

21. DUE TO FINANCIAL INSTITUTIONS

	December 31, 2019	December 31, 2018
Loans and overdrafts from financial institutions	180,063	667,420
Total amounts due to financial institutions	**180,063**	**667,420**

Amounts due to financial institutions bear fixed interest rates from 2.75 % to 3 % and maturity from January 2020 to February 2020 (December 31, 2018: 2.25 % to 3.75 % and mature from January 2019 to February 2019). These liabilities are denominated in Armenian drams and US dollars, see Note 26. The overdraft facilities as per signed agreements are available through to 2022.

Financial assets pledged against amounts due to financial institutions, represented by government and corporate bonds, at December 31, 2019 amounted to AMD 216,115 thousand (December 31, 2018: AMD 728,554 thousand).

22. OTHER LIABILITIES

	December 31, 2019	December 31, 2018
Other financial liabilities:		
Due to personnel	23,421	13,767
Accounts payable	11,736	10,671
	35,157	**24,438**
Other non-financial liabilities:		
Prepayments received	7,921	8,043
Tax payable, other than income tax	7,586	6,050
	15,507	**14,093**
Total other liabilities	**50,664**	**38,531**

23. RELATED PARTIES TRANSACTIONS

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

As at December 31, 2019 and 2018, the ultimate controlling party of the Group was Aram Kayfajyan.

Related party transactions, outstanding balances at the year end, and related expense and income for the reporting years were as follows:

	December 31, 2019		
	Shareholders and entities under common control of the shareholders	**Key management personnel**	**Funds under Group's associate management**
Consolidated statement of profit or loss and other comprehensive income			
Income			
Fee and commission income	1,959	21	2,338
Other income (lease)	750	-	-
Interest income	1,016	704	-
Expenses			
Administrative and other expenses	(623)	(625)	-
Consolidated statement of financial position			
Loans to employees/Other assets	-	9,882	-

	December 31, 2018		
	Shareholders and entities under common control of the shareholders	**Key management personnel**	**Funds under Group's associate management**
Statement of profit or loss and other comprehensive income			
Income			
Fee and commission income	2,421	3	951
Other income (lease)	750	-	-
Interest income	201	495	-
Statement of financial position			
Loans to employees/Other assets	-	1,039	-
Prepayments received	-	(5)	-

Key management compensation for the year amounted to AMD 75,467 thousand (2018: AMD 57,380 thousand).

24. CONTINGENT LIABILITIES

Tax and legal matters

The taxation system in Armenia is characterized by frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, different interpretations exist among various taxation authorities and jurisdictions.

Often tax authorities claim additional taxes for transactions and accounting methods, for which they did not claim previously. As a result additional fines and penalties could arise. Tax review can include 3 calendar years immediately preceding the year of a review. In certain circumstances tax review can include earlier periods. Management believes that the Group has complied with all regulations and has adequately settled all its tax liabilities.
Management also believes that the ultimate liability, if any, arising from legal actions and complaints taken against the Group, will not have a material adverse impact on the financial condition or results of future operations of the Group.

Market making

The Group provides market-making services to local financial institutions. In accordance with RA Stock Exchange regulations on market-making services for securities under market-making agreements, the Group has an obligation to keep a minimum of 0.5% of the total Corporate debt securities in issue in its portfolio. As at December 31, 2019 the Group had a commitment to sell those securities in the amount AMD 166,685 thousand (December 31, 2018: AMD 138,162 thousand) if such requests were made in the market. Similarly, the Group has an obligation to purchase the equivalent amount upon such request in the market.

Insurance

The insurance industry in Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for business interruption, or for third party liability in respect of property or environmental damage arising from accidents on Group's property or relating to Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

25. FAIR VALUES OF FINANCIAL INSTRUMENTS

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. IFRS defines fair value as 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.

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Because of the short term nature of most financial assets and financial liabilities, management believes that their carrying amounts approximate their fair values. For certain other financial assets and financial liabilities, fair values are determined for measurement based on the following methods. 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 realisable in an immediate sale of the assets or settlement of liabilities.

Financial assets/financial liabilities	Fair value as at December 31, 2019	Fair value as at December 31, 2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
- Government and Agencies debt securities	7,696,841	6,909,061	Level 2	Discounted cash flows. The predetermined cash flows are discounted at a rate that reflects market yield for specific time to maturity	N/A	N/A
- Corporate debt securities	1,965,633	1,511,334	Level 2	Discounted cash flows. The predetermined cash flows are discounted at a rate that reflects market yield for specific time to maturity	N/A	N/A
- Equity securities	44,511	9,834	Level 2	Quoted prices	N/A	N/A
- Unit holdings in Funds under management and managed externally	331,825	234,118	Level 2	Net asset value of respective funds as published by the Funds	N/A	N/A
	10,038,810	**8,664,347**				

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.

During the period ended December 31, 2019 and 2018 there were no transfers between Level 1 and Level 2.

The fair values of the financial assets and financial liabilities included in the Level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties, ranging from 1.9%-17% (2018: 3.82%-10.27%).

Fair value of financial assets and liabilities not measured at fair value on recurring basis

For 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), the management considers that the carrying amounts of financial assets and financial liabilities recongised in the financial assets and financial liabilities recognised in the consolidated financial statements approximate at their fair value.

26. RISK MANAGEMENT

Introduction and overview

The Group's business activities expose it to a variety of financial risks, including market, credit, liquidity risks and non financial risks, including technology, operations, legal, and reputational risks. Identification and management of these risks are essential to the success and financial soundness of the Group. This note presents information about the Group's exposure to these risks, its objectives, policies and processes for measuring and managing risks.
The Group takes an active role in the risk management process and has policies and procedures under which specific business and control units are responsible for identifying, measuring, and controlling various risks. Oversight of risk management is delegated to the Executive body of the Group's, which is responsible for reviewing and monitoring risk exposures and leading the continued development of risk management policies and practices. The specific areas include:

- credit and market risk, focusing on credit exposures resulting from taking positions in certain securities.
- information security and privacy, focusing on information security and privacy policies, procedures and controls
- investment management, focusing on activities in which the Group's and its principals operate in an investment advisory capacity
- operational risk management, focusing on risks relating to potential inadequate or failed internal processes, people and systems, and from external events and relationships (e.g., vendors and business partners).

Management has written policies and procedures that govern the conduct of business by employees, relationships with clients and the terms and conditions of relationships with counterparties. The client related policies address the client participation in funds, data and physical security, compliance with industry regulation and codes of ethics to govern employee and advisor conduct among other matters.

Risk is inherent in the Group's business. Consequently, despite efforts to identify areas of risk and implement risk management policies and procedures, there can be no assurance that the Group's will not suffer unexpected losses due to operating or other risks.

a. Financial risk management

Financial risks are risks arising from financial instruments to which the Group's is exposed during or at the end of the reporting period. Financial risk comprises market risk, credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Credit risk

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

Financial assets subject to IFRS 9's impairment requirements

The Group's financial assets subject to the expected credit loss model within IFRS 9 are Financial assets at fair value through other comprehensive income, cash and cash equivalents, staff loans and other receivables. A reconciliation of the provision for impairment for the year ended December 31, 2019 is as follows:

	Investment securities at fair value through other comprehensive income	Cash and cash equivalents	Other assets	Total
Impairment loss allowance at January 1, 2019	**74,393**	**1,225**	**7,709**	**83,327**
Net charge/(recovery) of provision for impairment	(66,439)	(1,019)	(295)	**(67,753)**
Impairment loss allowance at December 31, 2019	**7,954**	**206**	**7,414**	**15,574**

There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

The Group has adopted the simplified approach for the IFRS 9 ECL model. The loss allowance shown is therefore based on 12-month ECLs using the Moody's probability of default based on the current counterpary's Moody's rating if applicable, and the Country's rating if not applicable.

Financial assets not subject to IFRS 9's impairment requirements

The Group is exposed to credit risk on debt instruments, money market funds and similar securities and derivative assets. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FTVPL. The carrying value of these assets, under both IAS 39 (2018) and IFRS 9 (2019) represents the Group's maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

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 Group bears credit risk primarily on investing activities and bank balances. The Group seeks to control its credit risks by applying monitored investment strategy as well as sound selecting of servicing banking partners. The Group may enter into secured financing transactions such as sale and repurchase agreements (repo agreements) or purchase and resale agreements (reverse repo agreements). For secured transactions involving repurchase and resale agreements the Group is permitted to sell or repledge the securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover any short positions.

The Group has responsibility for the oversight of credit risk and is responsible for management of the Group'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 does not have an internal credit rating system and manages the credit risk by regularly reviewing asset quality, defining and amending where necessary the risk appetite by using, among other things, policies on limits, specific approvals for large transactions.

As at December 31, 2019 and 2018 credit risk exposure of financial assets are presented in the table below:

	December 31, 2019	December 31, 2018	Country	Credit rating
Cash and cash equivalents	59,816	66,121	Armenia	Unrated
Financial assets at fair value through profit or loss	2,341,969	1,755,286	Armenia	B1-B2, Unrated
Financial assets at fair value through other comprehensive income	7,696,841	6,909,061	Armenia	Unrated
Other assets	34,248	26,897	Armenia	Unrated
	10,132,874	**8,757,365**		

As at December 31, 2019 and December 31, 2018 all the financial assets and liabilities are with counterparties within RA.

As at December 31, 2019 all the financial assets and liabilities are with counterparties within RA, further the investment portfolio includes Republic of Armenia treasuries. In 2019, Armenia has been in a political turmoil. Political unrest in Armenia, stabilization of the economic and political situation depends, to a large extent, upon success of the Armenian Government's efforts, yet further economic and political developments, as well as the impact of these factors on the Group and its investment portfolio are currently difficult to predict. The Group's assets can be adversely affected by the deterioration in credit markets, reductions in short-term interest rates and decreases in securities valuations.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group maintains excess liquidity in the form of overnight cash deposits and short-term investments to cover daily funding needs. Factors which affect the cash position and cash flows include investment activity in securities, capital transactions and other factors. The combination of these factors can cause significant fluctuations in the cash position during specific time periods.

The Group'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 recognised in the statement of financial position as at December 31, 2019 and 2018, are presented based on their discounted contractual 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 holds a portfolio of securities that are liquid and can be used to meet outflows of financial liabilities. Management estimates that undiscounted cash flows for financial liabilities approximate the information presented in the table below and is not separately presented.

Management holds a portfolio of securities that are liquid and can be used to meet outflows of financial liabilities, and hence has classified these as on demand in its liquidity risk analysis.

	December 31, 2019						
	Carrying amount	**Less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No maturity**
Financial assets							
Cash and cash equivalents	**59,816**	59,816	-	-	-	-	-
Financial assets at fair value through:							
Profit or loss	**2,341,969**	1,965,633	-	-	-	-	376,336
Other comprehensive income	**7,696,841**	7,696,841	-	-	-	-	-
Other financial assets	**34,248**	-	-	11,585	-	-	22,663
Total financial assets	**10,132,874**	**9,722,290**	**-**	**11,585**	-	-	**398,999**
Financial liabilities							
Repurchase agreements	**6,737,355**	6,737,355	-	-	-	-	-
Due to financial institutions	**180,063**	180,063	-	-	-	-	-
Other liabilities	**35,157**	-	-	-	-	-	35,157
Total financial liabilities	**6,952,575**	6,917,418	**-**	**-**	**-**	**-**	**35,157**
Net position	**3,180,299**	**2,804,872**	**-**	**11,585**	**-**	**-**	**363,842**

	December 31, 2018						
	Carrying amount	**Less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No maturity**
Financial assets							
Cash and cash equivalents	**66,121**	66,121	-	-	-	-	-
Financial assets at fair value through:							
Profit or loss	**1,755,286**	1,511,334	-	-	-	-	243,952
Other comprehensive income	**6,909,061**	6,909,061	-	-	-	-	-
Other financial assets	**26,897**	22,532	-	4,365	-	-	-
Total financial assets	**8,757,365**	**8,509,048**	**-**	**4,365**	**-**	**-**	**243,952**
Financial liabilities							
Repurchase agreements	**5,524,087**	5,524,087	-	-	-	-	-
Due to financial institutions	**667,420**	667,420	-	-	-	-	-
Other liabilities	**24,438**	24,438	-	-	-	-	-
Total financial liabilities	**6,215,945**	**6,215,945**	**-**	**-**	**-**	**-**	**-**
Net position	**2,541,420**	**2,293,103**	**-**	**4,365**	**-**	**-**	**243,952**

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 Group'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 Group manages its investment inventory by product type and on a daily basis.

Interest rate risk

The Group 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 Group's interest-bearing financial instruments, the Group'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 rate.

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 Group may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields. A summary of the interest rate gap position for financial instruments at December 31, 2019 and 2018 are as follows:

	December 31, 2019						
	Carrying amount	**Less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Non-interest bearing**
Financial assets							
Cash and cash equivalents	**59,816**	59,816	-	-	-	-	-
Financial assets at fair value through:							
Profit or loss	**2,341,969**	1,965,633	-	-	-	-	376,336
Other comprehensive income	**7,696,841**	7,696,841	-	-	-	-	-
Other financial assets	**34,248**	-	-	11,585	-	-	22,663
Total financial assets	**10,132,874**	**9,722,290**	**-**	**11,585**	-	-	**398,999**
Financial liabilities							
Repurchase agreements	**6,737,355**	6,737,355	-	-	-	-	-
Due to financial institutions	**180,063**	180,063	-	-	-	-	-
Other liabilities	**35,157**	-	-	-	-	-	35,157
Total financial liabilities	**6,952,575**	6,917,418	**-**	**-**	**-**	**-**	**35,157**
Net position	**3,180,299**	**2,804,872**	**-**	**11,585**	**-**	**-**	**363,842**

	December 31, 2018						
	Carrying amount	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Non-interest bearing
Financial assets							
Cash and cash equivalents	**66,121**	66,121	-	-	-	-	-
Financial assets at fair value through:							
Profit or loss	**1,755,286**	1,511,334	-	-	-	-	243,952
Other comprehensive income	**6,909,061**	6,909,061	-	-	-	-	-
Other financial assets	**26,897**	-	-	4,365	-	-	22,532
Total financial assets	**8,757,365**	**8,486,516**	**-**	**4,365**	**-**	**-**	**266,484**
Financial liabilities							
Repurchase agreements	**5,524,087**	5,524,087	-	-	-	-	-
Due to financial institutions	**667,420**	667,420	-	-	-	-	-
Other liabilities	**24,438**	24,438	-	-	-	-	-
Total financial liabilities	**6,215,945**	**6,215,945**	**-**	**-**	**-**	**-**	**-**
Net position	**2,541,420**	**2,270,571**	**-**	**4,365**	**-**	**-**	**266,484**

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

	December 31, 2019		December 31, 2018	
In % p.a.	**AMD**	**USD**	**AMD**	**USD**
Interest bearing assets	11.80%	5.08%	10.8%	6.80%
Interest bearing liabilities	6.22%	3.16%	6.52%	3.05%

Foreign currency risk

Foreign currency risk arises in respect of those recognized monetary financial assets and liabilities that are not in the functional currency of the Group.

The table below summarizes the exposure to foreign currency exchange rate risk as at December 31, 2019 and 2018:

	Armenian Drams	US Dollars	EURO	Total
Assets				
Cash and cash equivalents	58,584	1,212	20	**59,816**
Financial assets at fair value through profit or loss	810,431	1,531,538	-	**2,341,969**
Financial assets at fair value through other comprehensive income	7,696,841	-	-	**7,696,841**
Other financial assets	34,248	-	-	**34,248**
Total	**8,600,104**	**1,532,750**	**20**	**10,132,874**
Liabilities				
Repurchase agreements	5,624,839	1,112,516		**6,737,355**
Due to financial institutions	17,136	162,927		**180,063**
Other financial liabilities	35,157	-		**35,157**
Total	**5,677,132**	**1,275,443**	**-**	**6,952,575**
Net position	**2,922,972**	**257,307**	**20**	**3,180,299**

	December 31, 2018			
	Armenian Drams	**US Dollars**	**EURO**	**Total**
Assets				
Cash and cash equivalents	65,938	118	65	**66,121**
Reverse repurchase agreements	458,459	1,296,827	-	**1,755,286**
Financial assets at fair value through profit or loss	6,909,061	-	-	**6,909,061**
Financial assets at fair value through other comprehensive income	26,897	-	-	**26,897**
Other financial assets	**7,460,355**	**1,296,945**	**65**	**8,757,365**
Total				
Liabilities				
Repurchase agreements	5,159,565	364,522	-	**5,524,087**
Due to financial institutions	-	667,420	-	**667,420**
Other financial liabilities	24,438	-	-	**24,438**
Total	**5,184,003**	**1,031,942**	**-**	**6,215,945**
Net position	**2,276,352**	**265,003**	**65**	**2,541,420**

The strengthening or weakening of the Armenian Dram, as indicated below, against the US dollar at December 31, 2019 would have (decreased) increased equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Management considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss / Equity	
	Weakening	**Strengthening**
AMD 10% movement against US dollar		
December 31, 2019	25,731	(25,731)
December 31, 2018	26,500	(26,500)

b. Operational risk

The Group’s objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation. The primary responsibility for the development and implementation of controls over operational risk rests with the Executive body of the Group. In order to reduce this risk, the internal processes are always monitored, processes that pose risk are automated as much as possible, in addition reserve technical and programming system capabilities are utilized, information is frequently copied and saved in a separate location in order to restore it at any time, where possibly an important two party process is taking place or for checking and verification purposes.

c. Capital risk management

The Group manages its capital to ensure it is able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The adequacy of the Group’s capital is monitored using, among other measures, the ratios established by the CBA. During the past year, the Group had complied with all its externally imposed capital requirements.

d. Non-financial risk management

Technology and operating risk. The Group faces technology and operating risk which is the potential for loss due to deficiencies in control processes or technology systems of the Group, its vendors or its outsourced service providers that constrain the ability to gather, process, and communicate information and process transactions efficiently and securely, without interruptions. This risk also includes the risk of human error, employee misconduct, external fraud, computer viruses, distributed denial of service attacks, terrorist attacks, and natural disaster. The Group’s operations are highly dependent on the integrity of its technology systems and success depends, in part, on the ability to make timely enhancements and additions to its technology in anticipation of evolving client needs. To the extent the Group experiences system interruptions, errors or downtime, business and operations could be significantly negatively impacted. To minimize business interruptions, the Group maintains backup and recovery functions, including facilities for backup and communications, and conducts testing of disaster recovery plans.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. The Group maintains policies and procedures regarding the standard of care expected with data, whether the data is internal information, employee information, or non-public client information. The Group clearly defines for employees, contractors and vendors the expected standards of care for confidential data. Regular training is provided in regard to data security.
Despite risk management efforts, it is not always possible to deter or prevent technological or operational failure, or fraud or other misconduct, and the precautions taken by the Group may not be effective in all cases. The Group may be subject to litigation, losses, and regulatory actions in such cases, and may be required to expend significant additional resources to remediate vulnerabilities or other exposures.

Regulatory risks. As a participant in the securities, asset management markets, the Group is subject to extensive regulation by governmental agencies and supervisory authorities. These regulatory agencies generally have broad discretion to prescribe greater limitations on the operations of a regulated entity for the protection of investors or public interest. As investment adviser the Group 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.
Management has invested in compliance functions to monitor its compliance with the numerous legal and regulatory requirements applicable to its business. Despite efforts to comply with applicable regulations, there are a number of risks, particularly in areas where applicable regulations may be unclear or where regulators revise their previous guidance. Any enforcement actions or other proceedings brought by the regulators against the Group or its affiliates, officers or employees could result in fines, penalties, cease and desist orders, enforcement actions, suspension or expulsion, or other disciplinary sanctions, including limitations on business activities, any of which could harm the Group’s reputation and adversely affect the results of operations and financial condition. The consequences of noncompliance can include substantial monetary and non-monetary sanctions.

27. FINANCIAL INSTRUMENTS BY CATEGORY

In the tables below the financial assets and liabilities, as recognised in the statement of financial position as at December 31, 2019 and as at December 31, 2018, are presented based on their classification.

	December 31, 2019			
	Financial assets at amortised cost	**Financial assets at fair value through other comprehensive income**	**Financial assets at fair value through profit or loss**	**Total**
Financial Assets				
Cash and cash equivalents	59,816	-	-	**59,816**
Financial assets at fair value through profit or loss	-	-	2,341,969	**2,341,969**
Financial assets at fair value through other comprehensive income	-	7,969,841	-	**7,696,841**
Other financial assets	34,248	-	-	**34,248**
Total financial assets	**94,064**	**7,696,841**	**2,341,969**	**10,132,874**
Financial Liabilities				
Amounts due to financial institutions	180,063	-	-	**180,063**
Repurchase agreements	6,737,355	-	-	**6,737,355**
Other financial liabilities	35,157	-	-	**35,157**
Total financial liabilities	**6,952,575**	**-**	**-**	**6,952,575**

	December 31, 2018			
	Financial assets at amortised cost	**Financial assets at fair value through other comprehensive income**	**Financial assets at fair value through profit or loss**	**Total**
Financial Assets				
Cash and cash equivalents	66,121	-	-	**66,121**
Reverse repurchase agreements	-	-	1,755,286	**1,755,286**
Financial assets at fair value through profit or loss	-	6,909,061	-	**6,909,061**
Financial assets at fair value through other comprehensive income	26,897	-	-	**26,897**
Other financial assets	**93,018**	**6,909,061**	**1,755,286**	**8,757,365**
Total financial assets				
Financial Liabilities				
Amounts due to financial institutions	667,420	-	-	**667,420**
Repurchase agreements	5,524,087	-	-	**5,524,087**
Other financial liabilities	24,438	**-**	**-**	**24,438**
Total financial liabilities	**6,215,945**	-	-	**6,215,945**

28. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak, which have impacted global business operations. As of the date of issuance of the financial statements, the Group's operations have not been significantly impacted; however, the Group continues to monitor the situation. In addition the effects of these conditions are currently difficult to predict in relation to the Group's investment portfolio. The Group's assets can be adversely affected by the deterioration in credit markets, reductions in short-term interest rates and decreases in securities valuations. While at post balance sheet date the Group has not experienced significant adverse effects of the health, financial and economic situation around the world and in Armenia, management has taken certain preventive measures to address future possible adverse effects, including investment and trading policy, evaluation of interest rate fluctuations in the financial market and respective response to address the above risks.