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**"Prime Capital" Investment LLC**  
Financial statements  
and Independent Auditor's Report  
For the year ended 31 December 2018

Legal Form

Investment Limited Liability Company

Principal Activity

Trust Management

General Director

Andrey Malozemov

# Independent Auditor's Report

To the Shareholders of Prime Capital Investment LLC

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|                              |                                      |
|------------------------------|--------------------------------------|
| <b>Legal Form:</b>           | Investment Limited Liability Company |
| <b>Principal Activities:</b> | Trust Management                     |
| <b>General Director</b>      | Amalya Hakobyan                      |

Responsibilities of the management and those charged with governance for the financial statements  
Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.  
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.  
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements  
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it does not provide a guarantee that an audit conducted in accordance with IFRS will always detect a material misstatement when it exists. Misstatements are considered to be material if they, individually or in the aggregate, they could reasonably be expected to influence the economic decisions or users taken on the basis of these financial statements.  
As part of an audit in accordance with IFRS, we have used professional judgment and maintain professional skepticism throughout the audit. We also

identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and



## Independent Auditor's Report

To the shareholder of Prime Capital Investment LLC

### Opinion

We have audited the accompanying financial statements of "Prime Capital" Investment LLC (hereinafter "the Company"), which comprise the statement of financial position as at December 31, 2018, profit and loss statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

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

### Other Matter - Scope of the Audit

The financial statements of the Company for the year ended on December 31, 2017 were audited by another company, who expressed an unqualified opinion on those statements on 09 April 2018

### Responsibilities of the management and those charged with governance for the Financial Statements

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

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

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

### Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain



audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

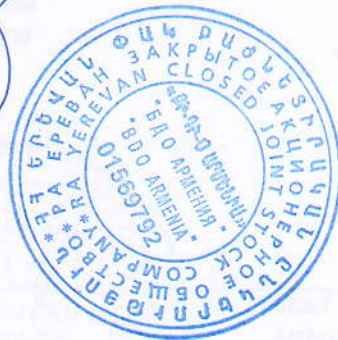
Among other issues, we inform those charged with governance/management about the scope and timing of the audit task, as well as significant matters identified during the audit, including significant shortcomings in the internal control system.

We also provide those charged with governance/management with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

"BDO Armenia" CJSC

Vahagn Saakyan, FCCA  
Managing Partner

1 March, 2019  
Yerevan



Hrachya Hovhannisyan, FCCA  
Engagement Partner



**“Prime Capital” Investment LLC**

**Profit and loss statement and Statement of comprehensive income  
for the year ended 31 December, 2018**

|   | Note | 2018<br>AMD'000 | 2017<br>AMD'000 |
|---|------|-----------------|-----------------|
| Interest income                                   |      | 92              | 2,077           |
| Interest expense                                  |      | -               | -               |
| <b>Net interest income</b>                        |      | <b>92</b>       | <b>2,077</b>    |
| Fee and commission income                         | 5    | 13,526          | 37,358          |
| Fee and commission expenses                       |      | (99)            | (39)            |
| <b>Net commission and other payments received</b> |      | <b>13,427</b>   | <b>37,319</b>   |
| Net operating income                              | 6    | 8,286           | 6,210           |
| <b>Operating income</b>                           |      | <b>21,805</b>   | <b>45,606</b>   |
| General operating and administrative expenses     | 7    | (28,816)        | (27,482)        |
| Other operating expenses                          |      | (477)           | (559)           |
| <b>Profit before tax</b>                          |      | <b>(7,488)</b>  | <b>17,565</b>   |
| Profit tax expense /(income)                      | 8    | 3,123           | (2,340)         |
| <b>Profit after tax</b>                           |      | <b>(4,365)</b>  | <b>15,225</b>   |
| Other comprehensive income                        |      | -               | -               |
| <b>Total comprehensive income</b>                 |      | <b>(4,365)</b>  | <b>15,225</b>   |

General Director  
Amalya Hakobyan



Chief Accountant  
Arthur Harutyunyan  
«AN Audit» CJSC authorised representative

**“Prime Capital” Investment LLC**

**Statement of financial position  
As at 31 December 2018**

|   | Note | 2018<br>AMD'000 | 2017<br>AMD'000 |
|---|------|-----------------|-----------------|
| <b>Assets</b>   |      |                 |                 |
| Cash and cash equivalents                             |      | 7,275           | 21,275          |
| Financial assets at fair value through profit or loss | 9    | 86,807          | 87,957          |
| Property, plant and equipment                         |      | 207             | 587             |
| Deferred tax asset                                    | 10   | 3,687           | 564             |
| Other assets  | 11   | 5,514           | 26,692          |
| <b>Total assets</b>                                   |      | <b>103,490</b>  | <b>137,075</b>  |
| <b>Liabilities</b>                                    |      |                 |                 |
| Provisions  | 12   | 3,889           | 3,109           |
| Other liabilities                                     |      | 18              | 18              |
| <b>Total liabilities</b>                              |      | <b>3,907</b>    | <b>3,127</b>    |
| <b>Equity</b>   |      |                 |                 |
| Share capital   |      | 80,000          | 80,000          |
| Main reserve  |      | 1,650           | 1,150           |
| Retained earnings                                     |      | 17,933          | 52,798          |
| <b>Total share capital</b>                            |      | <b>99,583</b>   | <b>133,948</b>  |
| <b>Total liabilities and equity</b>                   |      | <b>103,490</b>  | <b>137,075</b>  |

The financial statements from pages 6 to 24 were approved by the Management of Prime Capital Investment LLC on 01 March 2019 and signed by:

General Director  
Amalya Hakobyan

Chief Accountant  
Arthur Harutyunyan  
«AN Audit» CJSC authorised representative



**"Prime Capital" Investment LLC**

Statement of cash flows  
for the year ended 31 December 2018

|   | 2018<br>AMD'000 | 2017<br>AMD'000 |
|---|-----------------|-----------------|
| <i>Cash flows from operating activities</i>   |                 |                 |
| Interest received   | 92              | 1,555           |
| Commissions paid  | (8,029)         | (7,857)         |
| Realised gains (losses) on financial assets at fair value through profit or loss  | -               | 14              |
| Net inputs from foreign currency operations   | -               | 66              |
| Salaries and benefits paid  | (13,953)        | (13,318)        |
| Other operating income and other expenses paid  | (5,460)         | (5,528)         |
| (Increase)/decrease in available-for-sale financial assets and in financial assets at fair value through profit or loss | 9,436           | (46,949)        |
| (Increase)/decrease in other operating assets   | 35,155          | 20,056          |
| <b>Net cash from operating activities before profit tax payment</b>   | <b>17,241</b>   | <b>(51,961)</b> |
| Profit tax paid   | (1,167)         | (7,966)         |
| <b>Net cash from/ (used for) operating activities</b>   | <b>16,074</b>   | <b>(59,927)</b> |
| <i>Cash flows from investing activities</i>   |                 |                 |
| Purchase of property, plant and equipment   | (74)            | (33)            |
| <b>Net cash from investing activities</b>   | <b>(74)</b>     | <b>(33)</b>     |
| <i>Cash flows from financing activities</i>   |                 |                 |
| Dividends paid  | (30,000)        | -               |
| <b>Net cash from financing activities</b>   | <b>(30,000)</b> | <b>-</b>        |
| <b>Net increase/(decrease) in cash</b>  | <b>(14,000)</b> | <b>(59,960)</b> |
| Exchange (losses)/gains on cash and cash equivalents  | -               | (851)           |
| <b>Cash at the beginning of the year</b>  | <b>21,275</b>   | <b>82,086</b>   |
| <b>Cash at the end of the year</b>  | <b>7,275</b>    | <b>21,275</b>   |

**"Prime Capital" Investment LLC**

Statement of changes in owners' equity  
for the year ended on December 31, 2018

|                          | <u>Share Capital</u> | <u>Main Reserve</u> | <u>Retained Earnings</u> | <u>Total</u>  |
|--------------------------|----------------------|---------------------|--------------------------|---------------|
| As of 01.01.2018         | 80,000               | 1,150               | 52,798                   | 133,948       |
| Transfer to main reserve | -                    | 500                 | (500)                    | -             |
| Dividends                | -                    | -                   | (30,000)                 | (30,000)      |
| Comprehensive income     | -                    | -                   | (4,365)                  | (4,365)       |
| As of 31.12.2018         | <u>80,000</u>        | <u>1,650</u>        | <u>17,933</u>            | <u>99,583</u> |

|                          | <u>Share Capital</u> | <u>Main Reserve</u> | <u>Retained Earnings</u> | <u>Total</u>   |
|--------------------------|----------------------|---------------------|--------------------------|----------------|
| As of 01.01.2017         | 80,000               | 440                 | 38,283                   | 118,723        |
| Transfer to main reserve | -                    | 710                 | (710)                    | -              |
| Comprehensive income     | -                    | -                   | 15,225                   | 15,225         |
| As of 31.12.2017         | <u>80,000</u>        | <u>1,150</u>        | <u>52,798</u>            | <u>133,948</u> |



**“Prime Capital” Investment LLC**  
**Index to notes forming part of the financial statements**  
**for the year ended December 31, 2018**

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## «Prime Capital» Investment LLC

### Notes forming part of the financial statements for the year ended December 31, 2018

#### 1. About the Company

"Prime Capital" Investment LLC (Company) was established in the Republic of Armenia as a limited liability company on November 14, 2013.

The aim of the company is to improve the financial status of customers through the trust management services, taking into account the risks of the financial market, as well as improving the level of customer satisfaction and ensuring the perfect solutions and reliable cooperation in the financial market.

The company's operations are regulated by the Central Bank of Armenia (CBA). On January 24, 2014 the Company obtained Portfolio Management License number 0012.

All assets and liabilities of the Company are in the Republic of Armenia. The Company legal address is 44/2 Hanrapetutyun Street, Yerevan, Republic of Armenia. Nerses Sarinyan is the Company sole shareholder.

According to the data for the year ended December 31 the average number of company employees constitutes 6 people in 2018 (in 2017 - 6 people).

#### 2. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out in note 14. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in Armenian Drams (AMD), which is also the Company's functional currency. Amounts are rounded to the nearest thousand (AMD'000), unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and judgments. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

#### *Basis of measurement*

The financial statements have been prepared on historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

#### *Changes in accounting policies*

##### *a) New standards, interpretations and amendments effective from 1 January 2018*

- IFRS 9 *Financial Instruments*;
- IFRS 15 *Revenue from Contracts with Customers*;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*.

None of the mentioned amendments to Standards had a significant impact on the Company's financial statements.



*b) New standards, interpretations and amendments not yet effective*

The following new standards, interpretations and amendments that are not yet effective and have not been applied early in the financial statements will have or may have an impact on the Company's future financial statements

| # | Pronouncement   | Nature of the impending change in accounting policy on adoption of the pronouncement   | Date by which application of the IFRS is required | Date Company plans to apply the pronouncement initially | Impact of initial application on financial statements |
|---|---|--|---|---|---|
| 1 | IFRS 16, Leases (2017)  | <i>Under IFRS 16 a lessee recognizes a right-of-use assets and a lease liability. The right-of-use assets is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of lease payments payable over the lease term.</i> | January 2019<br>Early adoption permitted          | January 2019  | Impact must be still determined                       |
| 2 | IFRIC 23 Uncertainty Over Income Tax (published in June 2017) | <i>The interpretation addresses how to determine the taxable profit(loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over treatment under IAS 12, Income Tax.</i>  | January 2019<br>Early adoption permitted          | January 2019  | No impact envisaged                                   |



### 3. Critical Accounting Estimates and Judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Estimates and assumptions

##### **Fair value measurement**

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur. The Company measures a number of assets at fair value (Note 9)

### 4. Financial instruments - Risk Management

The Company is exposed through its operations to the following financial risks:

- Credit risk,
- Fair value or cash flow interest rate risk,
- Liquidity risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

#### **(a) Principal financial instruments**

The principal financial instruments used the Company, from which financial instrument risks arise, are as follows:

- Financial assets at fair value through profit or loss
- Trade receivables
- Cash and cash equivalents
- Trade and other payables



«Prime Capital» Investment LLC  
Notes forming part of the financial statements  
for the year ended December 31, 2018  
(continued)

**(b) Financial instruments by category**  
**Financial assets**

|   | Fair value measurement        |                               | Amortized cost                |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | 2018<br>AMD'000               | 2017<br>AMD'000               | 2018<br>AMD'000               | 2017<br>AMD'000               |
| Cash and cash equivalents                             | -                             | -                             | 7,275                         | 21,275                        |
| Financial assets at fair value through profit or loss | 86,807                        | 87,957                        | -                             | -                             |
| Trade receivables                                     | -                             | -                             | 2,908                         | 24,551                        |
| <b>Total</b>  | <b>86,807</b>                 | <b>87,957</b>                 | <b>10,183</b>                 | <b>45,826</b>                 |
| <b>Financial liabilities</b>                          |                               |                               |                               |                               |
|   | 2018 <sup>pa</sup><br>AMD'000 | 2017 <sup>pa</sup><br>AMD'000 | 2018 <sup>pa</sup><br>AMD'000 | 2017 <sup>pa</sup><br>AMD'000 |
| Trade and other payables                              | -                             | -                             | 18                            | 18                            |
| <b>Total</b>  | <b>-</b>                      | <b>-</b>                      | <b>18</b>                     | <b>18</b>                     |

**(c) Financial instruments not measured at fair value**

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

**(d) Financial instruments measured at fair value**

Financial Instruments fair value hierarchy is presented below

| December 31   | Level 2         |                 |
|---|-----------------|-----------------|
|   | 2018<br>AMD'000 | 2017<br>AMD'000 |
| Financial assets at fair value through profit or loss | 86,807          | 87,957          |
|   | <b>86,807</b>   | <b>87,957</b>   |

Appendix A details the fair value hierarchy and significant unobservable inputs relating to valuation techniques that are included in Level 3 of the fair value hierarchy.



«Prime Capital» Investment LLC  
Notes forming part of the financial statements  
for the year ended December 31, 2018  
(continued)

During the reporting period there were no changes in the levels. The valuation techniques and significant unobservable inputs used in determining the fair value of investment property, as well as the primary unobservable inputs and fair value relationships are presented below.

| Financial instrument                                  | Measurement method   |
|---|--|
| Financial assets at fair value through profit or loss | Units measured at fair value of respective funds as reporting date published by the Funds. |

There was no change in the valuation technique used to measure the fair value during the reporting period.

**Common goals, policies and processes**

Company management has overall responsibility for group risk management, goals and policies. The management receives monthly reports from the Company's chief accountant, thereby verifying the effectiveness of the processes and compliance with the stated goals and policies.

The management aims to define policies that minimize risk while avoiding the Company's competitiveness and flexibility. Details of this policy are described below.

**Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is mainly exposed to credit risk from credit sales. The company has adopted the policy of credit risk assessment before signing a contract with the new customer.

The Company has policies and procedures for the management of credit exposures (both for recognized financial assets and unrecognized contractual commitments).

The Company continuously monitors the performance of individual credit exposures and regularly reassesses the solvency of its customers.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and in unrecognised contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

As at December 31, 2018 and 2017 credit risk exposure of financial assets are presented in the table below:

|   | 2018<br>AMD'000 | 2017<br>AMD'000 |
|---|-----------------|-----------------|
| Cash and Cash equivalents                             | 7,275           | 21,275          |
| Financial assets at fair value through profit or loss | 86,807          | 87,957          |
| Trade receivables                                     | 2,908           | 24,551          |
|   | <u>96,990</u>   | <u>133,783</u>  |

**Cash in bank**

The Company believes that the risk of cash loss can be deemed as insignificant, since the financial



«Prime Capital» Investment LLC  
Notes forming part of the financial statements  
for the year ended December 31, 2018  
(continued)

institutions selected for investment of the Company's funds are reliable and authoritative.

A significant amount of cash is held with the following institutions:

|        | 2018<br>AMD'000 | 2017<br>AMD'000 |
|--------|-----------------|-----------------|
| Bank 1 | 7,275           | 21,270          |
| Bank 2 | -               | 5               |
|        | <u>7,275</u>    | <u>21,275</u>   |

**Liquidity risk**

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash available to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements in reasonable timeframe. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

| 31 December 2018         | Up to 3<br>months<br>AMD'000 | Between<br>3 and 12<br>months<br>AMD'000 | Between<br>1 and 2<br>years<br>AMD'000 | Between<br>2 and 5<br>years<br>AMD'000 | Over 5<br>years<br>AMD'000 |
|--------------------------|------------------------------|--|--|--|----------------------------|
| Trade and other payables | 18                           | -  | -                                      | -                                      | -                          |
|                          | <u>18</u>                    | <u>-</u>                                 | <u>-</u>                               | <u>-</u>                               | <u>-</u>                   |

| 31 December 2017               | Up to 3<br>months<br>AMD'000 | Between<br>3 and 12<br>months<br>AMD'000 | Between<br>1 and 2<br>years<br>AMD'000 | Between<br>2 and 5<br>years<br>AMD'000 | Over 5<br>years<br>AMD'000 |
|--------------------------------|------------------------------|--|--|--|----------------------------|
| Trade and other payables as of | 18                           | -  | -                                      | -                                      | -                          |
|                                | <u>18</u>                    | <u>-</u>                                 | <u>-</u>                               | <u>-</u>                               | <u>-</u>                   |



«Prime Capital» Investment LLC  
Notes forming part of the financial statements  
for the year ended December 31, 2018  
(continued)

*Capital risk management*

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balances. The CBA sets and monitors capital requirements for the Company. Under the current capital requirements set by the CBA, universal credit organizations as at December 31, 2018 have to maintain a minimum share capital of AMD 50,000 thousand (AMD 50,000 thousand on December 31, 2017). The following table analyses the Company's capital resources for the purpose of capital adequacy.

5. Fee and commission income

|                                       | 2018<br>AMD'000 | 2017<br>AMD'000 |
|---------------------------------------|-----------------|-----------------|
| Trust management fee and compensation | 13,511          | 37,358          |
| Other commissions                     | 15              | -               |
|                                       | <u>13,526</u>   | <u>37,358</u>   |

Company revenue from the trust management services is recognized on a regular basis over the management period based on the remuneration for the management service and the results of that period. Management fees are recognized on the basis of applicable service agreements, as a rule, in time proportions. Asset management fees associated with investments are recorded proportionally during the period. The Company typically collects revenue from its trust management services within the month following the quarter.

6. Net operating income

|                        | 2018<br>AMD'000 | 2017<br>AMD'000 |
|------------------------|-----------------|-----------------|
| Fund management income | 8,349           | 6,995           |
| Commission expenses    | (63)            | (785)           |
|                        | <u>8,286</u>    | <u>6,210</u>    |

7. General operating and administrative expenses

|                                     | 2018<br>AMD'000 | 2017<br>AMD'000 |
|-------------------------------------|-----------------|-----------------|
| Employee benefit expenses           | 15,301          | 13,836          |
| Audit and other consulting services | 6,120           | 6,233           |
| Operating lease expenses            | 5,400           | 5,400           |
| Office and administrative expenses  | 1,283           | 1,273           |
| Communication expenses              | 562             | 561             |
| Non-refundable taxes and fees       | 60              | 89              |
| Other operating expenses            | 90              | 90              |
|                                     | <u>28,816</u>   | <u>27,482</u>   |



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**Key Management Personnel Compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Company's Director. The costs related to remuneration of key management personnel are presented below.

|                            | 2018<br>AMD'000 | 2017<br>AMD'000 |
|----------------------------|-----------------|-----------------|
| Salary, other compensation | <u>5,184</u>    | <u>2,514</u>    |

**8. Profit tax expense**

|   | 2018<br>AMD'000 | 2017<br>AMD'000 |
|---|-----------------|-----------------|
| <b>Tax expense</b>  |                 |                 |
| Current tax expenses  |                 |                 |
| Current tax profit  | -               | 2,532           |
| <b>Total current tax</b>                                    | <u>-</u>        | <u>2,544</u>    |
| <b>Deferred tax expense</b>                                 |                 |                 |
| Origination and reversal of temporary differences (Note 10) | (219)           | (192)           |
| Compensation for tax loss                                   | (2,904)         | -               |
| <b>Total deferred tax expense/(income)</b>                  | <u>(3,123)</u>  | <u>2,340</u>    |

The reasons for the difference between the actual tax expenses of the year and the profit tax rate in the Republic of Armenia are as follows:

|   | 2018<br>AMD'000 | Effecti<br>ve rate | 2017<br>AMD'000 | Effecti<br>ve rate |
|---|-----------------|--------------------|-----------------|--------------------|
| Profit/ (loss) for the year   | (4,365)         |                    | 15,225          |                    |
| Profit tax expense (income)   | <u>(3,123)</u>  |                    | <u>2,340</u>    |                    |
| Profit/ (loss) before tax   | (7,488)         |                    | 17,565          |                    |
| Profit tax using the Company's domestic profit tax rate of 20.0% (2017 - 20.0%) | (1,498)         | 20                 | 3,513           | 20                 |
| Impact of nontaxable income/expenses not deductible for tax purposes            | (1,625)         | 22                 | (1,173)         | (7)                |
| <b>Total tax expense/(income)</b>   | <u>(3,123)</u>  | 42                 | <u>2,340</u>    | 13                 |

«Prime Capital» Investment LLC  
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9. Financial assets at fair value through profit or loss

|            | 2018<br>AMD'000 | 2017<br>AMD'000 |
|------------|-----------------|-----------------|
| Fund units | 86,807          | 87,957          |
|            | <u>86,807</u>   | <u>87,957</u>   |

10. Deferred tax assets

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2017: 20%).

|   | 2018<br>AMD'000 | 2017<br>AMD'000 |
|---|-----------------|-----------------|
| At 1 January  | 564             | 372             |
|   | -               | -               |
| Tax expense recognized in profit or loss                      | 3,123           | 192             |
| Other gains (losses) recognized in other comprehensive income | -               | -               |
| At 31 December  | <u>3,687</u>    | <u>564</u>      |

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

Details of the deferred tax assets, amounts recognized in profit or loss and the amounts recognized in other comprehensive income are as follows:

|   | Balance as<br>of<br>31.12.17 | 2018<br>recognized<br>in profit<br>or loss | Balance<br>as of<br>31.12.18 |
|---|------------------------------|--|------------------------------|
| <b>Deferred tax assets, including</b>                       | 622                          | 156  | 778                          |
| In terms of created reserves                                | 622                          | 156  | 778                          |
| <b>Deferred tax liabilities, including</b>                  | (58)                         | 63   | 5                            |
| In terms of property and equipment                          | (58)                         | 63   | 5                            |
| <b>Net deferred tax asset/liability</b>                     | 564                          | 219  | 783                          |
| <b>Tax loss carryforward</b>                                | -                            | 2,904                                      | 2,904                        |
| <b>Total movement of net deferred tax asset/(liability)</b> | 564                          | 3,123                                      | 3,687                        |



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**11. Other assets**

|                   | 2018<br>AMD'000 | 2017<br>AMD'000 |
|-------------------|-----------------|-----------------|
| Trade receivables | 2,908           | 24,551          |
| Tax prepayments   | 2,025           | 2,137           |
| Other             | 581             | 4,171           |
|                   | <u>5,514</u>    | <u>26,692</u>   |

**12. Provisions**

|                  | 2018<br>AMD'000 | 2017<br>AMD'000 |
|------------------|-----------------|-----------------|
| Opening balance  | 3,109           | 2,292           |
| Accruals         | 2,906           | 3,015           |
| Utilised in year | (2,126)         | (2,198)         |
| Closing balance  | <u>3,889</u>    | <u>3,109</u>    |
| Vacation leave   | 2,089           | 1,429           |
| Audit            | 1,800           | 1,680           |

**13. Contingent Liabilities**

As of December 31, 2018 the Company had no liabilities related to equity investments (as well as, as of December 31, 2017)

As of December 31, 2018 the Company has provided no guarantees regarding repayment of liabilities of any party (the same applies to 31.12.2018)

As of 31 December 2018 there were no legal actions against the Company (the same applies to 31.12.2017)

**14. Accounting policy**

***Income from main activity***

Revenue from trust management services is recognized on a regular basis over the management period based on the formula of remuneration for the management service and the results for that period.

Management fees are recognized on the basis of applicable service agreements, as a rule, in time proportions. Asset management fees in connection with investments are recognized proportionally during the service provision period.

Asset management and administration fees apply to fees for fiduciary activities, in the case of which the Company keeps or manages its assets on behalf of its customers and provides other asset-based financial services. These fees are based on daily balance of customer assets invested in these funds. The fair value of customer assets in the fund is based on quoted market prices and other observable market data.



### **Foreign currency transactions**

Transactions in foreign currency are converted into the functional currency at the closing exchange rate as of the day of the transaction, and at the average exchange rate announced by the CBA in case of closing price absence.

Non-monetary assets and liabilities in foreign currencies that are measured at fair value are recalculated at the current exchange rate at the date the fair value of the functional currency is determined.

Exchange differences arising from the foreign currency items account are recognized in profit or loss as net gains/losses on foreign exchange differences, except for financial instruments measured at fair value through profit or loss that are recognized at fair value, the element of net profit or loss arising from the revaluation of financial instruments measured through profit or loss.

### **Interest income and expense**

Interest income and expense, including interest income from non-derivative financial assets measured at fair value through profit or loss, are recognized in profit or loss, respectively, as interest income or expense.

### **Stock transactions and investment income**

Stock transactions are accounted for at the date of the transaction (sale or purchase of securities). Interest income is accounted on an accrual basis. Dividends are accounted on the date of the previous dividends. Value of securities is calculated based on weighted average cost.

### **Financial instruments**

The Company recognizes the financial assets and liabilities in the statement of financial position when it becomes a party to the financial instrument contract. Regular way purchases and sales of financial assets and liabilities are accounted for at the end of the reporting period. Regular way purchases or sales of financial instruments are the purchase or sale of financial assets that require delivery of the assets within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets or liabilities are initially measured at fair value. In the case of financial assets or liabilities that are not classified in the group of financial instruments measured at fair value through profit or loss, the transaction costs are added (or removed) to the fair value, which are directly attributable to the purchase or issue of a financial asset or liability. Transaction costs that are directly attributable to acquisition of financial assets or financial liabilities "measured at fair value through profit or loss" are recognized immediately in profit or loss.

### **Financial assets**

Financial assets are classified in the following categories: (a) financial assets measured at fair value through profit or loss (FVTPL); (b) financial assets measured at fair value through other comprehensive income (FVOCI); (c) financial assets measured at amortized cost. The classification depends on the nature of the cash flows resulting from the financial assets and the business model, under which the asset is held and designated at the time of initial recognition.

Financial assets measured at fair value through profit or loss. Financial asset is classified as "measured at fair value through profit or loss" if it is classified neither as measured at amortized cost (as described below) nor as measured at FVOCI (as described below). Additionally, at initial recognition, the Company may irrevocably designate any financial asset (which meets the criteria for being measured at amortized cost or at FVOCI) as measured at FVTPL, if this eliminates or essentially reduces the accounting mismatch that could otherwise have arisen.

A financial asset is classified as measured "at fair value through other comprehensive income" (FVOCI) if:



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- It is held under a business model, which aims at collecting contractual cash flows and selling financial assets; and
- At initial recognition, it forms a part of the portfolio of certain financial instruments managed jointly by the Company and has a realistic possibility of short-term profit making; or
- Its contractual terms give rise to cash flows on the specified dates, which are solely interest payments on principal and outstanding principal.

A financial asset is classified as measured "at amortized cost" if it complies with the following two conditions and has not been designated as measured at FVTPL:

- It is held under a business model, which aims at holding assets to collect contractual cash flows; and
- Its contractual terms give rise to cash flows on the specified dates, which are solely interest payments on principal and outstanding principal.

Financial assets, which are debt instruments and are not classified as measured at FVPOL, are subject to impairment test using the expected credit loss model. According to this model, a credit loss provision should be recognized in the amount of expected credit losses (ECL) during 12 months after the reporting date. However, if the instrument's credit risk has significantly increased since its initial recognition, the provision should be recognized for the whole life of the instrument in the amount of ECL.

#### ***Derecognition of financial assets***

The Company derecognises financial assets when the contractual rights with respect to cash flows resulting from the financial asset become void, or when these rights are transferred to a third party. If the Company substantially neither transfers nor retains all the risks and returns related to ownership of the financial asset, but retains control over the transferred asset, the Company continues to recognize the financial asset, as well as its associated liability to the extent that its involvement in the financial asset is kept. If the Company substantially retains all the risks and returns related to ownership of the financial asset, the Company shall continue to recognize the financial asset, as well as the borrowing pledged as collateral for the received return.

#### ***Financial liabilities***

Financial liabilities are classified as measured "at fair value through profit or loss" (FVTPL) or other financial liabilities.

**Financial liabilities measured at fair value through profit or loss.** Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for sale or classified as measured at fair value through profit or loss.

A financial liability is classified as held for sale if:

- it has been acquired primarily for a short-term repurchase; or
- initial recognition, it forms a part of the portfolio of certain financial instruments managed jointly by the Company and has a realistic possibility of short-term profit making; or
- it is a derivative instrument that is not intended or used as a hedging tool.

A financial liability not held for trading purposes may be classified as measured at FVTPL at the time of recognition, if:

- such classification excludes or significantly reduces the measurement or recognition mismatch that would otherwise have occurred; or
- a financial liability forms a part of financial assets or financial liabilities or the group of assets and liabilities, which is managed and whose performance is evaluated on a fair value basis in accordance with the Company's documented risk management or investment strategy, and the grouping information is provided internally on these grounds; or
- It is a part of the contract, that contains one or more of the embedded derivatives, and the entire contract (assets or liabilities) is classified as measured at FVTPL.



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Financial liabilities measured at FVTPL are presented at fair value, and the gain or loss arising from their remeasurement is recognized in profit or loss except for the change in the fair value from the part attributable to the credit risk, which is presented in other comprehensive income.

**Other financial liabilities**

Other financial liabilities are initially measured at fair value, less transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, recognizing the interest expense on the basis of efficiency.

**Derecognition of financial liabilities**

The Company derecognizes a financial liability only when the Company's obligations are repaid, canceled, or become void. When a financial liability to the same lender is replaced by another financial liability (the terms of which substantially vary from the previous one), or there has been a material change in the terms of the present liability, such replacement or change is recognized as derecognition of the original liability and recognition of a new liability. The difference between the carrying amount of the derecognized financial liability and compensation paid and payable is recognized in the statement of comprehensive income.

**Fixed assets**

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The initial cost comprises any costs directly attributable to acquisition and bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner. If an asset comprises two or more major components with different useful lives, then each component should be accounted for as separate items of property, plant and equipment (major components). Replacement costs for a separate item of property, plant and equipment are recognized in the carrying amount of that fixed asset if it is probable that the future economic benefits embodied in that part will flow to the Company and its value can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Computer equipment - 1-5 years

Household and office equipment, other fixed assets - 5-8 years:

Depreciation methods, useful lives and residual values are reviewed at the end of each financial year and are adjusted if appropriate.

**Dividends**

Dividends are recognized when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

**Deferred taxation**

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill,
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and



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- Investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the temporary difference can be utilized.

The amount of the deferred asset or liability is determined using tax rates that are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

### **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events and it would appear, that the Company will be required to meet the liability and the amount of the liability can be assessed accurately.

The amount recognized as a reserve is the best estimate at the end of the reporting period that will be required to settle an existing obligation, taking into account the associated risks and uncertainties. If the effect of the monetary value is significant over time, the amount of the provision should be the present value of the costs that would be required to pay the arrears.

If any other party is expected to fully or partially compensate for expenses, required to discharge the provision, the compensation should be treated as a separate asset when it is certain that in the event of settlement of arrears by the Company, the reimbursement will be satisfied and the recoverable amount can be measured reliably.

Recognition of currency exchange differences

Recognition of foreign exchange differences: exchange differences arising from the redemption of monetary items, or when the monetary items are reported at a rate that differs from the initial recognition in the reporting period or their registration in the previous financial statements, are recognized as revenue or expense in the period in which they arise.

Accounting treatment for Borrowing Costs.

Borrowing costs are recognized as an expense in the period in which the expense is incurred, except for the assets that are capitalized in accordance with IAS 23. Loans and borrowings are recorded at amortized cost using the effective interest method.

Securities purchased and redeemed under the REPO agreement, securities received under REPO agreements shall be credited off-balance sheet as collateral security. Amounts paid for securities received under repurchase agreements are credited as secured loans. Interest earned on that basis is recognized on an accrual basis in profit or loss and is included in other operating income. Securities issued under REPO agreements are accounted for in their balance sheet. The amounts received for securities issued by the REPO agreements are recorded as received loans. Interest paid on them is recognized on an accrual basis in the profit or loss as interest expenses.

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**Annex A. Fair Value measurement disclosures**

The following table sets out the valuation techniques used in the determination of fair values including the key unobservable inputs used and the relationship between unobservable inputs to fair value.

| Item                | Fair value,<br>AMD'000 | Valuation technique  | Fair value<br>hierarchy<br>level | Significant<br>unobservable inputs |
|---------------------|------------------------|--|----------------------------------|------------------------------------|
| Fund units          | 86,807                 | Units measured at fair value of respective funds as reporting date published by the Funds.       | Level 2                          |                                    |
| Accounts payable    | 18                     | The carrying amount of short term (less than 12 months) payable approximates its fair values.    | Level 3                          | N/A                                |
| Accounts receivable | 2,908                  | The carrying amount of short term (less than 12 months) receivable approximates its fair values. | Level 3                          | N/A                                |