Cube Invest CJSC

Financial Statements

for the period from 3 February 2017 (date of incorporation) to 31 December 2017

Contents

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Independent Auditors' Report

To the Shareholders of Cube Invest CJSC

Opinion

We have audited the financial statements of Cube Invest CJSC (the "Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 3 February 2017 (date of incorporation) to 31 December 2017, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the period from 3 February 2017 (date of incorporation) to 31 December 2017 in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' 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) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors' report is:

Tigran Gasparyan
Managing Partner, Director of KPMG Armenia CJSC

KPMG Armenia CJSC

KPMG Armenia CJSC
7 May 2018

«KPMG» ARMENIA
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	Notes	3 February 2017 (date of incorporation) to 31 December 2017 AMD'000
Interest income	4	362,670
Interest expense	4	(176,836)
Net interest income		**185,834**
Fee and commission expense		(431)
Net gain on financial instruments at fair value through profit or loss	5	145,514
Operating income		**330,917**
Personnel expenses		(8,021)
Other general administrative expenses	6	(11,709)
Profit before income tax		**311,187**
Income tax expense	7	(62,467)
Profit for the period from 3 February 2017 (date of incorporation) to 31 December 2017		**248,720**
Total comprehensive income for the period from 3 February 2017 (date of incorporation) to 31 December 2017		**248,720**

The financial statements as set out on pages 5 to 32 were approved by management on 7 May 2018 and were signed on its behalf by:

Arsen Simonyan
Executive Director

Argam Abrahamyan
Chief Accountant
Representative of AN Audit CJSC

	Notes	31 December 2017 AMD'000
ASSETS		
Cash and cash equivalents	8	19,301
Financial instruments at fair value through profit or loss		
- Held by the Company	9	105,269
- Pledged under sale and repurchase agreements	9	1,528,636
Borrowings provided	10	323,300
Held-to-maturity investments		
- Held by the Company	11	417,593
- Pledged under sale and repurchase agreements	11	1,687,154
Property, equipment and intangible assets	12	2,136
Total assets		**4,083,389**
LIABILITIES		
Amounts due to financial institutions	13	3,171,577
Current tax liability		42,013
Deferred tax liabilities	7	20,454
Other liabilities		625
Total liabilities		**3,234,669**
EQUITY		
Share capital	14	600,000
Retained earnings		248,720
Total equity		**848,720**
Total liabilities and equity		**4,083,389**

The statement of financial position **is to be read in conjunction** with the notes to, and forming part of, the financial

	Notes	3 February 2017 (date of incorporation) to 31 December 2017 AMD'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts		294,210
Interest payments		(172,582)
Fee and commission payments		(431)
Net payments for financial instruments at fair value through profit or loss		(1,459,938)
Personnel and other general administrative expenses payments		(18,529)
Increase in operating liabilities		
Amounts due to financial institutions		3,167,323
Other liabilities		35
Net cash provided from operating activities before income tax paid		**1,810,088**
Cash flows from operations		**1,810,088**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of held-to-maturity investments		(2,064,740)
Borrowings provided		(323,300)
Purchases of property, equipment and intangible assets		(2,747)
Cash flows used in investing activities		**(2,390,787)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital		600,000
Cash flows from financing activities		**600,000**
Net increase in cash and cash equivalents		**19,301**
Cash and cash equivalents as at 3 February 2017		-
Cash and cash equivalents as at the end of the period from 3 February 2017 (date of incorporation) to 31 December 2017	8	**19,301**

AMD'000	Share capital	Retained earnings	Total equity
Balance as at 3 February 2017	-	-	-
Total comprehensive income			
Profit for the period from 3 February 2017 (date of incorporation) to 31 December 2017	-	248,720	248,720
Total comprehensive income for the period from 3 February 2017 (date of incorporation) to 31 December 2017	-	**248,720**	**248,720**
Transactions with owners, recorded directly in equity			
Shares issued	600,000		600,000
Total transactions with owners	**600,000**	**-**	**600,000**
Balance as at 31 December 2017	**600,000**	**248,720**	**848,720**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial

1 Background

(a) Organisation and operations

Cube Invest CJSC ("the Company") was established in the Republic of Armenia as a closed joint-stock company on 3 February 2017. The Company received an Investment Services Licence from the Central Bank of Armenia on 3 February 2017. The Company's principal activities are transactions in securities on its behalf and on its own account. The Company's activities are regulated by the Central Bank of Armenia ("the CBA").

The Company's registered office is 64 Aram Street, office 143, Yerevan 0002, Republic of Armenia.

The Company is equally owned and ultimately controlled by Armen Ter-Hakobyan and Armine Najaryan. Related party transactions are described in detail in note 18.

(b) Armenian business environment

The Company's operations are primarily located in Armenia. Consequently, the Company is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but 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 Armenia.

The financial statements reflect management's assessment of the impact of the Armenian business environment on the operations and financial position of the Company. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Company is the Armenian Dram (AMD) as, being the national currency of the Republic of Armenia, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The AMD is also the presentation currency for the purposes of these financial statements.

Financial information presented in AMD is rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in note 19 – estimates of fair values of financial assets and liabilities.

(e) Changes in accounting policies and presentation

The Company has adopted the following amendments to standards with a date of initial application of 1 January 2017:

- *Disclosure Initiative (Amendments to IAS 7).* IAS 7 *Statement of Cash Flows* has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities. However, the objective could also be achieved in other ways.

- *Recognition of Deferred Tax Asset for Unrealised Losses (Amendments to IAS 12).* The amendments to IAS 12 *Income Taxes* clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Therefore, assuming that the tax base remains at the original cost of the debt instrument, there is a temporary difference. The amendments show that the entity can recognise a deferred tax asset if the future bottom line of its tax return is expected to be a loss if certain conditions are met.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements, and are applied consistently by the Company.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Cash and cash equivalents

Cash and cash equivalents include bank accounts. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for a derivative that is a financial guarantee contract or a designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Company may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the Company has an intention and ability to hold them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity, other than those that:

- the Company upon initial recognition designates as at fair value through profit or loss,
- the Company designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on their sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method
- held-to-maturity investments that are measured at amortized cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

(iv) *Amortised cost*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(v) *Financial assets or liabilities originated at interest rates different from market rates*

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference is credited or charged to profit or loss as gains or losses or to equity on the origination of financial instruments at rates different from market rates. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

(vi) *Fair value measurement principles*

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 in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(viii) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the statement of financial position. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

The Company writes off assets deemed to be uncollectible.

(ix) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts due to financial institutions. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within loans to banks or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(x) _Offsetting_

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(d) Property and equipment

(i) _Owned assets_

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) _Depreciation_

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

- equipment	3 years
- fixtures and fittings	5 years
- other	5 years

(e) Impairment

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Company determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data related to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Company reviews its loans and receivables to assess impairment on a regular basis.

The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows. In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data related to similar borrowers. In such cases, the Company uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Company writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

(f) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(g) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

The ability of the Company to declare and pay dividends is subject to the rules and regulations of legislation of the Republic of Armenia.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(h) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the period from 3 February 2017 (date of incorporation) to 31 December 2017, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

(ii) *Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- initial recognition of goodwill not deductible for tax purposes,
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(i) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(j) New standards and interpretations not yet adopted

The following new standards, amendments to standards, and interpretations are not yet effective as at 31 December 2017, and are not applied in preparing these financial statements. The Company plans to adopt these pronouncements when they become effective.

The following standards are expected to have a material impact on the Company's financial statements in the period of initial application.

(i) IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

In October 2017, the IASB issued *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*. The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Company will apply IFRS 9 as issued in July 2014 initially on 1 January 2018 and will early adopt the amendments to IFRS 9 on the same date. Based on assessments undertaken to date, the total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Company's equity at 1 January 2018 is within a range of AMD 10,000 thousand to AMD 20,000 thousand.

The above assessment is preliminary because not all transition work has been finalised. The actual impact of adopting IFRS 9 on 1 January 2018 may change because:

- IFRS 9 will require the Company to revise its accounting processes and internal controls and these changes are not yet complete;
- although parallel runs were carried out in the second half of 2017, the new systems and associated controls in place have not been operational for a more extended period;
- the Company has not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework;
- the Company is refining and finalising its models for ECL calculations; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

(ii) Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- _Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28._
- _Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)._
- _Transfers of Investment Property (Amendments to IAS 40)._
- _Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)._
- _IFRIC 22 Foreign Currency Transactions and Advance Consideration._
- _IFRIC 23 Uncertainty over Income Tax Treatments._

4 Net interest income

	3 February 2017 (date of incorporation) to 31 December 2017 AMD'000
Interest income	
Held-to-maturity investments	206,289
Financial instruments at fair value through profit or loss	155,961
Cash and cash equivalents	420
	362,670
Interest expense	
Amounts due to financial institutions	176,836
	176,836

5 Net gain on financial instruments at fair value through profit or loss

	3 February 2017 (date of incorporation) to 31 December 2017 AMD'000
Debt financial instruments	**145,514**

6 Other general administrative expenses

	3 February 2017 (date of incorporation) to 31 December 2017 AMD'000
Professional services	5,725
Utilities and rental expense	2,384
Security	656
Depreciation and amortisation	611
Other	2,333
	11,709

7 Income tax expense

	3 February 2017 (date of incorporation) to 31 December 2017 AMD'000
Current period tax expense	42,013
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences and movement in valuation allowance	20,454
Total income tax expense	**62,467**

In 2017, the applicable tax rate for current and deferred tax is 20%.

Reconciliation of effective tax rate for the period 3 February 2017 (date of incorporation) to 31 December 2017:

	3 February 2017 (date of incorporation) to 31 December 2017 AMD'000	%
Profit before tax	311,187	
Income tax at the applicable tax rate	(62,237)	(20.0)
Non-deductible costs (non-taxable income)	(230)	(0.1)
	(62,467)	**(20.1)**

(a) Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 December 2017.

The deductible temporary differences do not expire under current tax legislation.

2017 AMD'000	Balance 3 February 2017	Recognised in profit or loss	Balance 31 December 2017
Financial instruments at fair value through profit or loss	-	(20,266)	(20,266)
Property, equipment and intangible assets	-	(306)	(306)
Reserves	-	118	118
	-	**(20,454)**	**(20,454)**

8 Cash and cash equivalents

	31 December 2017 AMD'000
Current accounts in banks	
- rated from BB- to BB+	701
- rated below B+	117
- not rated	18,483
Total current accounts in banks	**19,301**

The Company uses credit ratings per Fitch in disclosing credit quality.

No cash and cash equivalents are impaired or past due.

9 Financial instruments at fair value through profit or loss

	31 December 2017 AMD'000
Held by the Company	
Government securities of the Republic of Armenia	105,269
	105,269
Pledged under sale and repurchase agreements	
Government securities of the Republic of Armenia	1,528,636
	1,528,636

Financial instruments at fair value through profit or loss comprise financial instruments held for trading.

No financial assets at fair value through profit or loss are past due.

10 Borrowings provided

	31 December 2017 AMD'000
Borrowings provided	
Borrowings provided to shareholders	**323,300**

Borrowings are provided until 1 June 2020. Contractual interest rate of the borrowings is 0%.

No borrowings provided are past due or impaired.

11 Held-to-maturity investments

	31 December 2017 AMD'000
Held by the Company	
Government securities of the Republic of Armenia	417,593
	417,593
Pledged under sale and repurchase agreements	
Government securities of the Republic of Armenia	1,687,154
	1,687,154

None of held-to-maturity investments are impaired or past due.

12 Property, equipment and intangible assets

AMD'000	Equipment	Fixtures and fittings	Other	Total
Cost				
Balance at 3 February 2017	-	-	-	-
Additions	1,879	428	440	2,747
Balance at 31 December 2017	**1,879**	**428**	**440**	**2,747**
Depreciation and amortisation				
Balance at 3 February 2017	-	-	-	-
Depreciation and amortisation for the period from 3 February 2017 (date of incorporation) to 31 December 2017	(471)	(87)	(53)	(611)
Balance at 31 December 2017	**(471)**	**(87)**	**(53)**	**(611)**
Carrying amount				
At 31 December 2017	**1,408**	**341**	**387**	**2,136**

There are no capitalised borrowing costs related to the acquisition or construction of plant and equipment during the period from 3 February 2017 (date of incorporation) to 31 December 2017.

13 Amounts due to financial institutions

	31 December 2017 AMD'000
Amounts payable under repurchase agreements	3,171,577

As at 31 December 2017 the Company has 6 banks, whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2017 is AMD 3,171,577 thousand.

14 Share capital and reserves

(a) Issued capital and share premium

The authorised, issued and outstanding share capital comprises 60,000 shares. All shares have a nominal value of AMD 10,000. During the period from 3 February 2017 (date of incorporation) to 31 December 2017 60,000 ordinary shares were issued at their nominal value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Company.

(b) Dividends

In accordance with the Armenian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with International Financial Reporting Standards.

At the reporting date no dividends were declared.

15 Risk management

Management of risk is fundamental to the business of the Company and forms an essential element of the Company's operations. The major (significant) risks faced by the Company are those related to market risk, credit risk, liquidity risk, and operational, legal and reputational risks.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice. The Company has developed a system of reporting on significant risks and capital.

As at 31 December 2017, the Company's internal documentation establishing the procedures and methodologies for identification, managing and stress-testing the Company's significant risks, was approved by the authorized management bodies of the Company in accordance with regulations and recommendations issued by the CBA.

The Shareholders have overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management of the Company is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Company operates within established risk parameters. The Executive Director is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the shareholders.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Executive Director.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

AMD '000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2017							
ASSETS							
Cash and cash equivalents	18,011	-	-	-	-	1,290	19,301
Financial instruments at fair value through profit or loss	-	91,387	86,356	539,944	916,218	-	1,633,905
Borrowings provided	-	-	-	-	-	323,300	323,300
Held-to-maturity investments	-	113,016	106,821	668,630	1,216,280	-	2,104,747
	18,011	**204,403**	**193,177**	**1,208,574**	**2,132,498**	**324,590**	**4,081,253**
LIABILITIES							
Amounts due to financial institutions	(3,171,577)	-	-	-	-	-	(3,171,577)
	(3,153,566)	**204,403**	**193,177**	**1,208,574**	**2,132,498**	**324,590**	**909,676**

Average effective interest rates

The table below displays average effective interest rates for interest-bearing assets and liabilities as at 31 December 2017. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2017 Average effective interest rate, % AMD
Interest bearing assets	
Current accounts in banks	2.3%
Financial instruments at fair value through profit or loss	12.6%
Held-to-maturity investments	11.6%
Interest bearing liabilities	
Amounts due to financial institutions	6.7%

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2017, is as follows:

	31 December 2017 AMD'000
100 bp parallel fall	(23,817)
100 bp parallel rise	23,817

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss due to changes in the interest rates, based on positions existing as at 31 December 2017 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	31 December 2017 Equity AMD'000
100 bp parallel fall	112,207
100 bp parallel rise	(112,207)

(ii) Currency risk

The Company's assets and liabilities are denominated in AMD.

(c) 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 has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments).

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

Collateral generally is not held against investments in securities and borrowings provided.

As at 31 December 2017 the Company has 2 debtors or groups of connected debtors, credit risk exposure to whom exceeds 10 percent maximum credit risk exposure. The credit risk exposure for these debtors as at 31 December 2017 is AMD 234,718 thousand.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Company's statement of financial position or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

Similar agreements include global master repurchase agreements. Similar financial instruments include sales and repurchase agreements.

The Company receives and accepts collateral in the form of marketable securities in respect of sale and repurchase agreements.

Such collateral is subject to the standard industry terms of the ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction, but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2017:

AMD'000

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash collateral received	Net amount
Sale and repurchase agreements	(3,171,577)	-	(3,171,577)	3,171,577	-	-
Total financial liabilities	**(3,171,577)**	**-**	**(3,171,577)**	**3,171,577**	**-**	**-**

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position on the amortised cost basis.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched, since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due.

The liquidity management policy requires:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- maintaining liquidity and funding contingency plans
- monitoring liquidity ratios against regulatory requirements.

The following tables show the undiscounted cash flows on financial assets and liabilities on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets, liability or credit related commitment.

The maturity analysis for financial assets and liabilities as at 31 December 2017 is as follows:

AMD'000	Demand and less than 1 month	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Non-derivative liabilities						
Amounts due to financial institutions	(3,192,708)	-	-	-	(3,192,708)	(3,171,577)
Total financial liabilities	**(3,192,708)**	**-**	**-**	**-**	**(3,192,708)**	**(3,171,577)**

The table below shows an analysis, by expected maturities, of amounts recognised in the statement of financial position as at 31 December 2017:

AMD'000	Demand and less than 1 month	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
ASSETS						
Cash and cash equivalents	19,301	-	-	-	-	19,301
Financial instruments at fair value through profit or loss	-	177,743	539,944	916,218	-	1,633,905
Borrowings provided	-	323,300	-	-	-	323,300
Held-to-maturity investments	-	219,837	668,630	1,216,280	-	2,104,747
Property, equipment and intangible assets	-	-	-	-	2,136	2,136
Total assets	**19,301**	**720,880**	**1,208,574**	**2,132,498**	**2,136**	**4,083,389**
LIABILITIES						
Amounts due to financial institutions	(3,171,577)	-	-	-	-	(3,171,577)
Current tax liability	(42,013)	-	-	-	-	(42,013)
Deferred tax liabilities	-	-	-	-	(20,454)	(20,454)
Other liabilities	(625)	-	-	-	-	(625)
Total liabilities	**(3,214,215)**	**-**	**-**	**-**	**(20,454)**	**(3,234,669)**
Net position	**(3,194,914)**	**720,880**	**1,208,574**	**2,132,498**	**(18,318)**	**848,720**

As at 31 December 2017 the Company's current liabilities exceeded its current assets by AMD 2,474,034 thousand. However, the Company's securities pledged under the liabilities comprise highly liquid Government Bonds of the Republic of Armenia amounting to AMD 3,341,072 thousand. Considering the above management believes that there are no significant uncertainties regarding the ability of the Company to continue as a going concern.

16 Capital management

The CBA sets and monitors capital requirements for the Company.

The Company defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBA, which are based on Basel Accord principles, investment companies have to maintain amount of capital and a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum levels. As at 31 December 2017, this minimum amount of capital is AMD 300,000 thousand and a minimum level of the ratio of capital to risk weighted assets is 12%. The Company is in compliance with the statutory capital ratio as at 31 December 2017.

The calculation of capital adequacy based on requirements set by the CBA as at 31 December is as follows:

	31 December 2017 AMD'000 (unaudited)
Base capital	870,356
Own funds (capital)	**870,356**
Risk-weighted assets	**2,766,802**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**31.5%**

17 Contingencies

(a) Insurance

The insurance industry in the Republic of 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 Company does not have full coverage for its premises and equipment, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on its property or related to operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigation

Management is unaware of any significant actual, pending or threatened claims against the Company.

(c) Taxation contingencies

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

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

18 Related party transactions

(a) Control relationships

The Company is equally owned by Armen Ter-Hakobyan and Armine Najaryan, who are the parties with ultimate control over the Company.

(b) Transactions with Shareholders and the members of the Management

Total remuneration included in personnel expenses for the period from 3 February 2017 (date of incorporation) to 31 December 2017 is as follows:

	3 February 2017 (date of incorporation) to 31 December 2017 AMD'000
Short-term employee benefits	**8,021**

These amounts include cash and non-cash benefits in respect of the Shareholders and members of the management.

The outstanding balances as at 31 December 2017 for transactions with members of the Shareholders and the Management are as follows:

	31 December 2017 AMD'000
Statement of financial position	
Borrowings provided*	323,300

* The contractual interest rate for the borrowings is 0%.

The borrowings are in AMD and are repayable by 31 May 2018. Transactions with related parties are not secured.

19 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The carrying amounts of the financial assets and liabilities other than held-to-maturity investments as presented in the statement of financial position approximate their respective fair values as at 31 December 2017. As at 31 December 2017 the fair value of the held-to-maturity investments with a carrying value of AMD 2,104,747 thousand is AMD 2,350,889 thousand.

The estimates of fair value are intended to approximate 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. 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 transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset, or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

(b) Fair value hierarchy

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2017, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

AMD '000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss				
- Debt and other fixed-income instruments	-	1,633,905	-	1,633,905
	-	**1,633,905**	**-**	**1,633,905**