



## **GLOCAL CJSC**

FINANCIAL STATEMENTS

For the Period from February 20, 2017

(Date of Inception) to December 31, 2017

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## **Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Period from February 20, 2017 (Date of Inception) to December 31, 2017**

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Management is responsible for the preparation of the financial statements that present fairly the financial position of GLOCAL cjsc (the "Company" or "GLOCAL") as of December 31, 2017, and the results of its operations, cash flows and changes in shareholders' equity for the period from February 20, 2017 (date of inception) to December 31, 2017, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with Country legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Company for the year ended December 31, 2017 were approved by management on May 2, 2018:

On behalf of the Management:

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Marine Zakharyan  
Chief Executive Officer

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Hayk Manaselyan  
Chief Accountant

May 2, 2018  
Yerevan, Republic of Armenia

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GLOCAL cjsc:

### Opinion

We have audited the financial statements of GLOCAL cjsc (the "Company"), which comprise the statement of financial position as at December 31, 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from February 20, 2017 (date of inception) to December 31, 2017, 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 respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the period from February 20, 2017 (date of inception) to December 31, 2017 in accordance with International Financial Reporting Standards ("IFRSs").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

Srbuhi Hakobyan  
Executive Director

Arpine Ghevondyan  
Audit Director

May 2, 2018  
Yerevan, Republic of Armenia

Deloitte Armenia cjsc

# GLOCAL cjsc

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017 *In thousands of Armenian Drams unless otherwise stated*

	Notes	December 31, 2017
<b>Assets</b>		
Cash and cash equivalents	9	5,035
Financial assets at fair value through profit or loss	10	81,269
Property, equipment and intangibles		245
Deferred tax assets	8	131
Other assets	11	3,831
<b>Total assets</b>		<b>90,511</b>
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Share capital	12	30,000
Share premium	12	30,000
Retained earnings		28,006
<b>Total equity</b>		<b>88,006</b>
<b>Liabilities</b>		
Payables and accrued expenses	13	761
Current income tax liability		1,744
<b>Total liabilities</b>		<b>2,505</b>
<b>Total equity and liabilities</b>		<b>90,511</b>

The financial statements were authorized for issue on May 2, 2018 by the Management:

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Marine Zakharyan  
Chief Executive Officer

\_\_\_\_\_  
Hayk Manaselyan  
Chief Accountant

May 2, 2018  
Yerevan, Republic of Armenia

The notes on pages 8 - 24 form an integral part of these financial statements.

# GLOCAL cjsc

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM  
FEBRUARY 20, 2017 (DATE OF INCEPTION) TO DECEMBER 31, 2017  
*In thousands of Armenian Drams unless otherwise stated*

	Notes	From February 20, 2017 (date of inception) to December 31, 2017
<b>Fund management activities</b>		
Revenue	5	19,789
<b>Financial income</b>		
Net gain on financial assets at fair value through profit or loss	6	21,586
Commission expense		(142)
FX gain		98
<b>Net financial income</b>		<b>21,542</b>
Administrative expenses	7	(11,712)
<b>Profit before tax</b>		<b>29,619</b>
Income tax expense	8	(1,613)
<b>Total profit and comprehensive income for the period</b>		<b>28,006</b>

The notes on pages 8 - 24 form an integral part of these financial statements.

## GLOCAL cjsc

### STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM FEBRUARY 20, 2017 (DATE OF INCEPTION) TO DECEMBER 31, 2017

*In thousands of Armenian Drams unless otherwise stated*

	Notes	Share capital	Share premium	Retained earnings	Total
Balance at February 20, 2017 (date of inception)		-	-	-	-
Total profit and comprehensive income for the period		-	-	28,006	28,006
Issue of share capital	12	30,000	30,000	-	60,000
<b>Balance at December 31, 2017</b>		<b>30,000</b>	<b>30,000</b>	<b>28,006</b>	<b>88,006</b>

The notes on pages 8 - 24 form an integral part of these financial statements.



# GLOCAL cjsc

## STATEMENT OF CASH FLOWS FOR THE PERIOD FROM FEBRUARY 20, 2017 (DATE OF INCEPTION) TO DECEMBER 31, 2017

*In thousands of Armenian Drams unless otherwise stated*

	Notes	From February 20, 2017 (date of inception) to December 31, 2017
<b>Cash flows from operating activities</b>		
Fund management fees received		16,484
Commission expense paid		(148)
Purchase of financial assets at fair value through profit or loss		(59,566)
Salaries and related expenses paid		(8,923)
Prepayments, operating and administrative expenses paid		(2,323)
<b>Net cash used in operating activities</b>		<b>(54,476)</b>
<b>Cash flow from investing activities</b>		
Purchase of property, equipment and intangibles		(490)
<b>Net cash used in investing activities</b>		<b>(490)</b>
<b>Cash flows from financing activities</b>		
Issue of share capital		60,000
<b>Net cash from financing activities</b>		<b>60,000</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,034</b>
Cash and cash equivalents at beginning of the period		-
Effect of exchange rate fluctuations on cash and cash equivalents		1
<b>Cash and cash equivalents at end of the period</b>	9	<b>5,035</b>

The notes on pages 8 - 24 form an integral part of these financial statements.

# GLOCAL cjsc

## *Notes to the Financial Statements for the Period from February 20, 2017 (Date of Inception) to December 31, 2017*

*In thousands of Armenian Drams unless otherwise stated*

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM FEBRUARY 20, 2017 (DATE OF INCEPTION) TO DECEMBER 31, 2017**

#### **1. Reporting entity**

"GLOCAL" closed joint stock company (the Company or GLOCAL) is an asset management company established under the laws of the Republic of Armenia. The Company was incorporated on February 20, 2017. The Company's registered office is 32/1 Tigran Mets Avenue, 0018 Yerevan, Republic of Armenia.

The Company operates the following non-public investment funds available for qualified investors:

- GLOCAL PROFIX AMD FUND
- GLOCAL PROFIX USD FUND

The Company's ownership structure is presented in Note 14.

#### **Armenian business environment**

The Company's operations are conducted in the RA. Consequently, the Company and its assets are exposed to the economic and financial markets of the Armenian Republic which display characteristics of an emerging market. The legal, currency, tax and regulatory frameworks continue development and are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Armenia.

The future economic direction of the Republic of Armenia is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments. Management is unable to predict all developments which could have an impact on the financial sector and wider economy and consequently what effect, if any, they could have on the future earnings of the Company. Management believes it is taking all the necessary measures to support the sustainability and development of the Company.

Further, in 2018, Armenia has been in a political turmoil. Political unrest in Armenia, stabilization of the economic and political situation depends, to a large extent, upon success of the Armenian Government's efforts, yet further economic and political developments, as well as the impact of these factors on the Company, its assets, customers and contractors are currently difficult to predict. The accompanying financial statements reflect management's estimates of the potential effect of the current operating and business environment on the results and financial position. The future business environment may differ from management's estimates.

#### **Fund management**

The Company manages and administers assets held in unit funds. The financial statements of these entities are not included in these financial statements except when the Company controls the entity and consolidation requirements apply as per the respective reporting standards.

#### **2. Basis of preparation**

##### **a. Statement of compliance**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs).

##### **b. Basis of preparation**

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

The financial statements have been prepared on a historical-cost basis, except for financial instruments as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

## *Notes to the Financial Statements for the Period from February 20, 2017 (Date of Inception) to December 31, 2017*

*In thousands of Armenian Drams unless otherwise stated*

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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company maintains its accounting records in accordance with the law of Armenia. These financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 16.

### **c. Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Armenian dram is the currency of the RA and the Company's functional and presentation currency. All financial information is presented rounded to the nearest thousands of dram, except when otherwise indicated.

### **d. Offsetting**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **e. Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year relate to accounting for financial instruments, particularly fair value measurements. The best evidence of fair value is price quotations in an active market. In the absence of quoted prices in an active market, the Management uses other evaluation techniques, such as the comparative approach with similar instruments both in the internal and external markets. Fair value measurements are discussed in Note 16.

# GLOCAL cjsc

## *Notes to the Financial Statements for the Period from February 20, 2017 (Date of Inception) to December 31, 2017*

*In thousands of Armenian Drams unless otherwise stated*

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### **3. Significant accounting policies**

The accounting policies set out below have been applied consistently throughout the reporting period.

#### **a. Foreign currency**

Transactions in foreign currencies are translated into the functional currency at the appropriate exchange closing rate on the dates of the transactions. In the absence of exchange closing rates, average daily exchange rate published by CBA is used. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss as net foreign exchange gain (loss), except for those arising on financial instruments at fair value through profit or loss, which are recognized as a component of net gain or loss from financial instruments at fair value through profit or loss.

#### **b. Asset management activities and commission income**

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

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

#### **c. Security transactions and related investment income**

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

In the statement of profit or loss and other comprehensive income net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, and where applicable includes interest and dividend income. The gain or loss from units held in funds reflects the changes in net asset values per units held.

#### **d. Fees and commission expenses**

Fees and commission expenses are recognized in profit or loss as related services are performed.

#### **e. The Company as lessee**

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

#### **f. Short term employee benefits**

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

## GLOCAL cjsc

### *Notes to the Financial Statements for the Period from February 20, 2017 (Date of Inception) to December 31, 2017*

*In thousands of Armenian Drams unless otherwise stated*

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#### **g. Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax.** The tax currently payable is based on taxable profit for the year. Taxable profit before tax differs from profit before income tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**Deferred tax.** Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

**Current and deferred tax for the year.** Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

#### **h. Financial Instruments**

The Company recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

**Financial assets.** Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held to maturity' ("HTM") investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

## GLOCAL cjsc

### *Notes to the Financial Statements for the Period from February 20, 2017 (Date of Inception) to December 31, 2017*

*In thousands of Armenian Drams unless otherwise stated*

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**Financial assets at FVTPL.** Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: *Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the 'net gain from financial instruments at fair value through profit or loss' and 'interest income' line item, respectively, in the statement of profit or loss and other comprehensive income.

**Held to maturity investments.** Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Fund has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortized cost using the effective interest method less any impairment.

If the Company were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Company would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

**Available-for-sale financial assets.** Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

Fair value is determined in the manner described. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

**Loans and receivables.** Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**Derecognition of financial assets.** The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks

and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized is recognized in profit or loss. A cumulative gain or loss that had been recognized is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

## **Financial liabilities and equity instruments issued**

**Classification as debt or equity.** Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Equity instruments.** An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

### ***Financial liabilities***

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

**Financial liabilities at FVTPL.** Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'interest expenses' line item in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described.

**Other financial liabilities.** Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an

integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

**Derecognition of financial liabilities.** The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

#### 4. Application of new and revised International Financial Reporting Standards (IFRSs)

##### New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments*<sup>2</sup>;
- IFRS 16 *Leases*<sup>3</sup>;
- Annual Improvements to IFRSs 2014-2016 Cycle.

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

##### **IFRS 9 *Financial Instruments***

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 are:

**Classification and measurement of financial assets.** All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

**Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit



or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

**Impairment.** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

**Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The management of the Company anticipated that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

## **IFRS 16 Leases**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The management anticipates that the application of IFRS 16 in the future may have a significant impact on amounts recognised in the Company's financial statements.

## **Annual Improvements to IFRSs 2014-2016 Cycle**

This annual improvements package amended three standards:

The Amendments to IFRS 1 delete the short-term exemptions that related to disclosures about financial instruments, employee benefits and investment entities as the reporting period to which the exemptions applied have already passed and as such, these exemptions are no longer applicable. The amendments are effective for annual periods beginning on or after 1 January 2018.

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The amendments to IFRS 12 clarify that concession from the requirement to provide summarised financial information in respect of interests in subsidiaries, associates or joint ventures classified as held for sale or included in a disposal group is the only concession available for such interests. The amendments apply retrospectively and are effective for annual periods beginning on or after 1 January 2017.

In accordance with IAS 28, a venture capital organisation and other similar entities may elect to measure investments in associates and joint ventures at FVTPL. In addition, an entity that is not an investment entity but has an interest in an associate or joint venture that is an investment entity, may, when applying the equity method, elect to retain the fair value measurement applied by that associate or joint venture to its own interests in subsidiaries. Amendments to IAS 28 clarify that such election should be made separately for each associate or joint venture at initial recognition. The amendments apply retrospectively and are effective for annual periods beginning on or after 1 January 2018. Early application is permitted.

The management does not anticipate that the application of these amendments will have a material impact on the Company's financial statements.

### 5. Fund management activities

During the reporting period the Company's fund management activities included management of two funds launched during the course of 2017. The total management fee earned in 2017 was AMD 19,789 thousand calculated based on the net assets values of the respective funds.

### 6. Net gain on financial assets at fair value through profit or loss

	From February 20, 2017 (date of inception) to December 31, 2017
Net change in fair value	21,586
<b>Net gain on financial assets at fair value through profit or loss</b>	<b>21,586</b>

See Note 10.

### 7. Administrative expenses

	From February 20, 2017 (date of inception) to December 31, 2017
Employee compensation	9,490
Operating lease expenses	555
Communication expenses	308
Taxes other than on income	265
Representative expenses	250
Depreciation and amortization	244
Other	600
<b>Total administrative expenses</b>	<b>11,712</b>

### 8. Income tax

	From February 20, 2017 (date of inception) to December 31, 2017
Current income tax expense	1,744
Deferred tax benefit	(131)
<b>Total income tax expense</b>	<b>1,613</b>

The Company measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the RA, which may differ from IFRS.

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## Notes to the Financial Statements for the Period from February 20, 2017 (Date of Inception) to December 31, 2017

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The Company is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2017 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

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

	From February 20, 2017 (date of inception) to December 31, 2017	
Profit before tax	29,619	
Tax at the statutory tax rate	5,924	20.0%
Non-taxable income	(4,341)	(14.7)
Nondeductible expenses	30	0.1%
<b>Income tax expense</b>	<b>1,613</b>	<b>5.4%</b>

The following is the analysis of deferred tax assets/(liabilities) presented in the statement of financial position:

	February 20, 2017 (date of inception)	Recognized in profit or loss	December 31, 2017
<b>Deferred tax assets</b>			
Payables and accrued expenses	-	131	131
<b>Total deferred tax assets</b>	-	<b>131</b>	<b>131</b>
<b>Total deferred tax liabilities</b>	-	-	-
<b>Net deferred tax asset</b>	-	<b>131</b>	<b>131</b>

### 9. Cash and cash equivalents

	December 31, 2017
Current accounts	5,035
<b>Total cash and cash equivalents</b>	<b>5,035</b>

None of the balances are past due or impaired.

### 10. Financial instruments at fair value through profit or loss

	December 31, 2017
Units held in funds under management	81,269
<b>Total financial assets at fair value through profit or loss</b>	<b>81,269</b>

Units in funds represent unitholdings in GLOCAL PROFIX AMD FUND and GLOCAL PROFIX USD FUND. These units are carried at Company's share of the net asset value of the funds as at reporting date.

### 11. Other assets

	December 31, 2017
<b>Financial assets</b>	
Management fees receivable	3,306
<b>Total financial other assets</b>	<b>3,306</b>

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### *Notes to the Financial Statements for the Period from February 20, 2017 (Date of Inception) to December 31, 2017*

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<b>Non-financial assets</b>	
Prepayments	525
<b>Total non-financial other assets</b>	<b>525</b>
<b>Total other assets</b>	<b>3,831</b>

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None of the balances are past due or impaired.

#### 12. Share capital

In accordance with the statutes, the Companies authorized share capital consists of 980,000 ordinary shares of AMD 1,000. As at December 31, 2017 the paid in capital comprised of 30,000 ordinary shares of AMD 1,000 each. As of December 31, 2017 the Company's registered and paid-in share capital was AMD 60,000 thousand represented by AMD 30,000 thousand of share capital and AMD 30,000 thousand share premium reserve.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share. The Company is not subject to minimum capital adequacy requirements imposed by the regulator.

In accordance with 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 accounting regulations of the Republic of Armenia, except for restrictions on retained earnings as described further. According to legal requirements and the Company's charter, the Company is required to create a non-distributable reserve from its retained earnings for an amount equal to 15% of its share capital for the purpose of covering future losses.

#### 13. Payables and accrued expenses

December 31, 2017

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<b>Financial liabilities</b>	
Payables	108
<b>Total financial liabilities</b>	<b>108</b>
<b>Non-financial liabilities</b>	
Accrued provisions	653
<b>Total non-financial liabilities</b>	<b>653</b>
<b>Total payables and accrued expenses</b>	<b>761</b>

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#### 14. Related parties transactions

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

The Company's shareholding structure as at December 31, 2017 is represented by:

Armenbrok ojsc	33.33%
German Caucasian Trading LTD	33.33%
Mr Aram Kayfajyan	33.33%

The ultimate controlling party of the Company is Mr Aram kayfajyan.

Related party transactions, outstanding balances at the year end, and related expense and income for the period are as follows:

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## Notes to the Financial Statements for the Period from February 20, 2017 (Date of Inception) to December 31, 2017

In thousands of Armenian Drams unless otherwise stated

	December 31, 2017		
	Shareholders and parent company	Key management personnel	Funds under management
<b>Statement of profit or loss and other comprehensive income</b>			
Management fee	-	-	19,789
Management compensation, included in administrative expenses	-	(5,692)	-
Commission expense	(98)	-	-
Operating lease	(555)	-	-
<b>Statement of financial position</b>			
Financial assets at fair value through profit or loss	-	-	81,269
Other assets	-	-	3,306
Payables and accrued expenses	(75)	-	-

### 15. Risk management

The Company's business activities expose it to a variety of financial risks, including market, credit, liquidity risks, and non financial risks, including technology, operations, legal, and reputational risks. Identification and management of these risks are essential to the success and financial soundness of the Company. This note presents information about the Company's exposure to these risks, its objectives, policies and processes for measuring and managing risks.

The Company takes an active role in the risk management process and has policies and procedures under which specific business and control units are responsible for identifying, measuring, and controlling various risks. Oversight of risk management is delegated to the Executive body of the Company, which is responsible for reviewing and monitoring risk exposures and leading the continued development of risk management policies and practices. The specific areas include:

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

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

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

#### a. Financial risk management

Financial risks are risks arising from financial instruments to which the Company is exposed during or at the end of the reporting period. Financial risk comprises market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

**Notes to the Financial Statements for the Period from February 20, 2017 (Date of Inception) to December 31, 2017***In thousands of Armenian Drams unless otherwise stated***Credit risk**

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The Company bears credit risk primarily on investing activities and bank balances. The Company seeks to control its credit risks by applying monitored investment strategy as well as sound selecting of servicing banking partners. The Company may enter into secured financing transactions such as sale and repurchase agreements (repo agreements) or purchase and resale agreements (reverse repo agreements). For secured transactions involving repurchase and resale agreements the Company is permitted to sell or repledge the securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover any short positions.

The Company has responsibility for the oversight of credit risk and is responsible for management of the Company's credit risk, including formulating credit policies, covering collateral requirements, credit assessment, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, and by issuer, credit rating band, market liquidity and country. Management does not have an internal credit rating system and manages the credit risk by regularly reviewing asset quality, defining and amending where necessary the risk appetite by using, among other things, policies on limits, specific approvals for large transactions.

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

	December 31, 2017	Country	Credit rating
Cash and cash equivalents	5,035	Armenia	Unrated
Financial assets at fair value through profit or loss	81,269	Armenia	Unrated
Other financial assets	3,306	Armenia	Unrated
	<b>89,610</b>		

As at December 31, 2017 all the financial assets are with counterparties within RA and none of the financial assets are past due or impaired.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Factors which affect the cash position and cash flows include investment activity in securities, capital transactions and other factors. The combination of these factors can cause significant fluctuations in the cash position during specific time periods.

The Company's policy to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions.

In the table below the financial assets and liabilities, as recognised in the statement of financial position as at December 31, 2017 are presented on a discounted basis and are based on their contractual cash flows. Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms. Management holds financial assets at fair value through profit or loss that are liquid and can be used to meet outflows of financial liabilities. Management estimates that undiscounted cash flows for financial liabilities approximates the information presented in below table and is not separately presented.

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### Notes to the Financial Statements for the Period from February 20, 2017 (Date of Inception) to December 31, 2017

In thousands of Armenian Drams unless otherwise stated

	December 31, 2017					
	Carrying amount	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	No Maturity
<b>Financial assets</b>						
Cash and cash equivalents	5,035	5,035	-	-	-	-
Financial assets at fair value through profit or loss	81,269	-	-	-	-	81,269
Other financial assets	3,306	3,306	-	-	-	-
<b>Total financial assets</b>	<b>89,610</b>	<b>8,341</b>	-	-	-	<b>81,269</b>
<b>Financial liabilities</b>						
Payables	108	108	-	-	-	-
<b>Total financial liabilities</b>	<b>108</b>	<b>108</b>	-	-	-	-
<b>Net position</b>	<b>89,502</b>	<b>8,233</b>	-	-	-	<b>81,269</b>

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Company's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company manages its investment inventory by product type and on a daily basis.

#### Interest rate risk

The Company is exposed to the risk that the fair value or income / future cash flows of its financial instruments portfolio will fluctuate as a result of fluctuations in market interest rates. In respect of the Company's interest-bearing financial instruments, the Company's policy is to transact in financial instruments that mature such that they best correspond to the maturity of financial liabilities. Nevertheless, the impact of interest rate risk can be high due to fluctuations in the prevailing levels of market interest rates.

Interest income is affected by changes in the volume and mix of these assets as well as by fluctuations in interest rates and portfolio management strategies. When interest rates fall, the Company may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields.

A summary of the interest rate gap position for financial instruments is as follows:

	December 31, 2017						
	Carrying amount	Less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Non-interest bearing
<b>Financial assets</b>							
Cash and cash equivalents	5,035	5,035	-	-	-	-	-
Financial assets at fair value through profit or loss	81,269	-	-	-	-	-	81,269
Other financial assets	3,306	-	-	-	-	-	3,306
<b>Total financial assets</b>	<b>89,610</b>	<b>5,035</b>	-	-	-	-	<b>84,575</b>
<b>Financial liabilities</b>							
Payables	108	-	-	-	-	-	108
<b>Total financial liabilities</b>	<b>108</b>	-	-	-	-	-	<b>108</b>
<b>Net position</b>	<b>89,502</b>	<b>5,035</b>	-	-	-	-	<b>84,467</b>

The Company management does not carry out a detailed interest rate risk exposure sensitivity analysis as it considers the Company is not exposed to changes in interest rates due to the absence of floating rate liabilities and borrowings, as well as due to absence of interest bearing assets and portfolio of trading assets.

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### *Notes to the Financial Statements for the Period from February 20, 2017 (Date of Inception) to December 31, 2017*

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#### Foreign currency risk

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

The table below summarizes the exposure to foreign currency exchange rate risk at the end of the reporting period:

	December 31, 2017		
	Armenian Drams	US Dollars	Total
<b>Financial assets</b>			
Cash and cash equivalents	5,035	-	5,035
Financial assets at fair value through profit or loss	71,200	10,069	81,269
Other financial assets	3,306	-	3,306
<b>Total financial assets</b>	<b>79,541</b>	<b>10,069</b>	<b>89,610</b>
<b>Financial liabilities</b>			
Payables	108	-	108
<b>Total financial liabilities</b>	<b>108</b>	<b>-</b>	<b>108</b>
<b>Net position</b>	<b>79,433</b>	<b>10,069</b>	<b>89,502</b>

	December 31, 2017		
	Weakening	Strengthening	
			<b>Profit or loss / Net assets attributable to unitholders</b>
USD 10% movement against the AMD	(1,007)		1,007

#### Other price risks

The Company is exposed to unit price risks arising from unitholdings in funds under its management. The Company does not actively trade these investments. The sensitivity analyses below have been determined based on the exposure to net asset value price risks at the end of the reporting period.

If net asset values had been 5% higher (lower) profit for 2017 year would increase (decrease) by AMD 4,063 thousand as a result of the changes in fair value of units held in respective funds.

#### b. Operational risk

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation. The primary responsibility for the development and implementation of controls over operational risk rests with the Executive body of the Company.

#### c. Capital risk management

The Company manages its capital to ensure it is able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. During the past year, the Company had complied with all its externally imposed capital requirements.

#### d. Non-financial risk management

##### Technology and operating risk

The Company face technology and operating risk which is the potential for loss due to deficiencies in control processes or technology systems of the Company, its vendors or its outsourced service providers that constrain the ability to gather, process, and communicate information and process transactions efficiently and securely, without interruptions. This risk also includes the risk of human error, employee misconduct, external fraud, computer viruses, distributed denial of service attacks, terrorist attacks, and natural disaster. The Company's operations are highly dependent on the integrity of its technology systems and success depends, in part, on the ability to make timely enhancements



and additions to its technology in anticipation of evolving client needs. To the extent the Company experiences system interruptions, errors or downtime, business and operations could be significantly negatively impacted. To minimize business interruptions, the Company maintains backup and recovery functions, including facilities for backup and communications, and conducts testing of disaster recovery plans.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. The Company maintains policies and procedures regarding the standard of care expected with data, whether the data is internal information, employee information, or non-public client information.

Despite risk management efforts, it is not always possible to deter or prevent technological or operational failure, or fraud or other misconduct, and the precautions taken by the Company may not be effective in all cases. The Company may be subject to litigation, losses, and regulatory actions in such cases, and may be required to expend significant additional resources to remediate vulnerabilities or other exposures.

## **Regulatory risks**

As a participant in the securities, asset management markets, the Company may be subject to extensive regulation by governmental agencies and supervisory authorities. These regulatory agencies generally have broad discretion to prescribe greater limitations on the operations of a regulated entity for the protection of investors or public interest. As investment adviser the Company is also subject to regulatory requirements relating to fiduciary duties to clients, performance fees, maintaining an effective compliance program, solicitation arrangements, conflicts of interest, advertising, limitations on agency cross and principal transactions between the advisor and advisory clients, recordkeeping and reporting requirements, disclosure requirements and general anti-fraud provisions.

Management has invested heavily in compliance functions to monitor its compliance with the numerous legal and regulatory requirements applicable to its business. Despite efforts to comply with applicable regulations, there are a number of risks, particularly in areas where applicable regulations may be unclear or where regulators revise their previous guidance. Any enforcement actions or other proceedings brought by the regulators against the Company or its affiliates, officers or employees could result in fines, penalties, cease and desist orders, enforcement actions, suspension or expulsion, or other disciplinary sanctions, including limitations on business activities, any of which could harm the Company's reputation and adversely affect the results of operations and financial condition. The consequences of noncompliance can include substantial monetary and non-monetary sanctions.

## **16. Fair values of financial instruments**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **Fair value of financial assets and liabilities measured at fair value on a recurring basis**

Because of the short term nature of most financial assets and financial liabilities, management believes that their carrying amounts approximate their fair values. For certain other financial assets and financial liabilities, fair values are determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability, however given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

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### *Notes to the Financial Statements for the Period from February 20, 2017 (Date of Inception) to December 31, 2017*

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<b>Financial assets/financial liabilities</b>	<b>Fair value as at December 31, 2017 in '000 AMD</b>	<b>Fair value hierarchy</b>	<b>Valuation technique(s) and key input(s)</b>	<b>Significant unobservable input(s)</b>	<b>Relationship of unobservable inputs to fair value</b>
Financial assets at fair value through profit or loss:					
Units in funds under management	81,269	Level 3	Net asset value of respective funds as published by the funds	N/A	N/A

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Management applies judgment in categorizing financial instruments using the fair value hierarchy. The significance of a valuation input is assessed against the fair value measurement in its entirety.

During the reporting period there were no transfers from level 2 to level 3 in either direction.

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

For fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required), management consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.