Accompanying notes to the financial statements

1 Principal activities

"INGO ARMENIA" ICJSC (the "Company") is a closed joint-stock Insurance company, which was incorporated in the Republic of Armenia in 1997. The Company is regulated by the legislation of RA and conducts its business under license number N0014, granted on 02.09.1997 by the Central Bank of Armenia (the "CBA"). The Company was relicensed by the RA CB in 28.03.2008, licence number is N0005.

The Company primarily is involved in general insurance business in the territory of the Republic of Armenia. The main types of insurance contracts issued by the Company are accident, health, motor, cargo, fire and natural disasters, motor liability, financial losses, general liability and travel insurance. Moreover, the Company realizes air and water transportation insurance, as well as related liability insurance. Starting from 2010 Company is member of compulsory motor third party liability insurance bureau and from October 2010 it issues compulsory motor third party liability insurance (CMTPLI) contracts.

Its main office and the two branches are in Yerevan. The registered office is located at: 51, 53 Hanrapetutyan Str., Areas 47, 48, 50, RA, 0010, Yerevan.

2 Armenian business environment

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base.

Deterioration of economic situation of countries collaborating with the RA led to the shortage of money transfers from abroad, upon which the economy of Armenia is significantly dependant. Further decline in international prices of mining products, uncertainties due to possibilities of attraction of direct capital investments, inflation, may lead to deterioration of the situation of Armenian economy and of the Company. However, as the number of variables and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Company may be affected.

Management of the Company believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Company.

3 Basis of preparation

3.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board (IASB), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

3.2 Basis of measurement

The financial statements have been prepared on a fair value basis for financial assets and liabilities at fair value through profit or loss and available for sale assets, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities are stated at amortized cost and non-financial assets and liabilities are stated at historical cost, with the exception of buildings, which are stated at revalued amount.

3.3 Functional and presentation currency

Functional currency of the Company is the currency of the primary economic environment in which the Company operates. The Company's functional currency and the Company's presentation currency is Armenian Drams ("AMD"), since this currency best reflects the economic substance of the underlying events and transactions of the Company. These financial statements are based on the Company's books and records as adjusted and reclassified in order to comply with IFRS. The financial statements are presented in thousands of AMD, which is not convertible outside Armenia.

3.4 Changes in accounting policies

In the current year the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2014.

IAS 32 **(Amendment)** ***Offsetting Financial Assets and Financial Liabilities***

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- The meaning of 'currently has a legally enforceable right of set-off': the amendments clarify that a right of set-off is required to be legally enforceable in the normal course of business, the event of default and the event of insolvency or bankruptcy of the entity and all of the counterparties, and that the right must also exist for all counterparties.
- Since there was diversity in practice related to the interpretation of 'simultaneous settlement' in IAS 32, the IASB has therefore clarified the principle behind net settlement and included an example of a gross settlement system with characteristics that would satisfy the IAS 32 criterion for net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the Company does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the [consolidated] financial statements for any period presented.

IAS 36 **(Amendment)** ***Recoverable Amount Disclosure for Non-Financial Assets***

These amendments clarify that the entity is required to disclose the recoverable amount of an asset (or cash generating unit) wherever an impairment loss has been recognized or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired asset is based on fair value less costs of disposal, including:

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made
- the discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively in accordance with their transitional provisions.

3.5 Standards, amendments and interpretations not yet applied by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to the existing Standards have been published but are not yet effective. The Company has not early adopted any of these pronouncements.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement.

Management does not anticipate a material impact on the Company's financial statements from these Amendments, they are presented below.

IFRS 9 Financial Instruments **(2014)**

The IASB recently released *IFRS 9 Financial Instruments* (2014), representing the completion of its project to replace *IAS 39 Financial Instruments: Recognition and Measurement.* The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.
The Company's management have yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

The following new or amended standards are not expected to have a significant impact of the Company's financial statements.

- IFRS 14 *Regulatory Deferral Accounts.*
- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).*
- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).*
- *Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).*
- *Annual Improvements to IFRSs 2010–2012 Cycle.*
- *Annual Improvements to IFRSs 2011–2013 Cycle.*

4 Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied.

4.1 Insurance contracts

Insurance contracts are those contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance risk is significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. The additional benefits stated above refer to amounts that exceed those that would be payable if no insured event occurred.

Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once the contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Recognition and measurement

Gross premiums written

Gross premiums written comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Written premiums are stated gross of commissions payable to intermediaries and net of taxes and duties levied on premiums.

Provision for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Written premiums ceded to reinsurers

Written premiums ceded to reinsurers comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy is effective.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. The proportion attributable to subsequent periods is deferred as a reinsurers’ share of change in the gross provision for unearned premiums.

Claims incurred

Claims incurred consist of claims paid to policyholders, changes in the valuation of the liabilities arising on policyholder contacts and internal and external claims handling expenses. Claims are recognized upon notification.

Reinsurer’s share of claims incurred

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Reinsurance commission income

Reinsurance commissions received or receivable which do not require the Company to render further service are recognised as revenue by the Company on the effective commencement or renewal dates of the related policies. However, when it is probable that the Company will be required to render further services during the life of the policy, the commission, or part thereof, is deferred and recognised as revenue over the period during which the services are provided.

Acquisition costs

Costs incurred in acquiring general insurance contracts are recognised in the period in which they are incurred. Acquisition costs include direct costs such as commission and medical fees. A proportion of acquisition costs are deferred to a subsequent accounting period to match the deferral to a subsequent accounting period of the proportion of the written premiums to which the acquisition costs relate. The deferral of acquisition costs is calculated by applying the ration of unearned premiums to written premiums.

Insurance contract liabilities

Insurance contract liabilities are recognised when contracts are entered into. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of subrogation and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the balance sheet date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contractual obligations are fulfilled or when the contract is cancelled.

The provision for unearned premiums represents that parts of written premiums, that is estimated to be earned in subsequent periods.

Generally the reserve is released over the term of the contract and is recognised as premium income.

The Company assesses at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs) is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognised in profit or loss.

Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in statement of comprehensive income.

Gains or losses on buying reinsurance are recognised in the statement of comprehensive income immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or when the contract is transferred to another party.

Insurance receivables and payables

The accounting for insurance receivables and payables is the same as the one for the financial instruments, described in the notes 4.7, 4.8 and 4.9.

4.2 Recognition of income and expenses

The recognition criteria for income and expenses other than those related to insurance contracts are presented below:

Investment income

Investment income consists of dividends, interest income, movements in amortised cost on debt securities and other loans and receivables.

Interest income is recognised in the statement of comprehensive income as it accrues and is calculated by using the effective interest rate method.

Dividend income is recognized when the Company's right to receive the payment is established.

Gains less losses on investments

Net gains and losses on investments recorded in the statement of comprehensive income include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences related to trading assets and liabilities. Net trading income also includes gains less losses from trading in foreign currencies.

Finance cost

Interest paid is recognised in the statement of comprehensive income as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

4.3 Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transactions. Gains and losses resulting from the translation of trading assets are recognised in the statement of comprehensive income in net trading income, while gains less losses resulting from translation of non-trading assets are recognized in the statement of comprehensive income in other income or other expense. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Differences between the contractual exchange rate of a certain transaction and the prevailing average exchange rate on the date of the transaction are included in gains less losses from trading in foreign currencies in net trading income.

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

	December 31, 2014	December 31, 2013
AMD/1 US Dollar	**474.97**	405.64
AMD/1 Euro	**577.47**	559.54

4.4 Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. . In the case when financial statements are authorized for issue before appropriate tax returns are submitted, taxable profits or losses are based on estimates. Tax authorities might have more stringent position in interpreting tax legislation and in reviewing tax calculations. As a result tax authorities might claim additional taxes for those transactions, for which they did not claim previously. As a result significant additional taxes, fines and penalties could arise. Tax review can include 3 calendar years immediately preceding the year of a review. In certain circumstances tax review can include even more periods.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Republic of Armenia also has various operating taxes, which are assessed on the Company’s activities. These taxes are included as a component of other expenses in the statement of income.

4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and amounts due from financial institutions, which can be converted into cash at short notice and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost.

4.6 Amounts due from other financial institutions

In the normal course of business, the Company maintains deposits for various periods of time with banks. Amounts due from other financial institutions are carried net of any allowance for impairment losses.

4.7 Financial instruments

The Company recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

When financial assets and liabilities are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition all financial liabilities, other than liabilities at fair value through profit or loss (including held for trading) are measured at amortized cost using effective interest method. After initial recognition financial liabilities at fair value through profit or loss are measured at fair value.

The Company classified its financial assets into the following categories receivables, financial instruments at fair value through profit or loss, available-for-sale financial instruments and held-to-maturity investments. The classification of investments between the categories is determined at acquisition based on the guidelines established by the management. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Receivables

Receivables are initially recognized at fair value plus related transaction costs. Subsequently, the receivables are measured at amortized cost. Receivables are carried net of any allowance for impairment losses.

Available-for-sale financial instruments

Investments available for sale represent debt and equity investments that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of income. However, interest calculated using the effective interest method is recognised in the statement of income. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payment is established.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis. Otherwise the investments are stated at cost less any allowance for impairment.

4.8 Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

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

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets 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 financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognised in the statement of income.

If, in subsequent period, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of income, is transferred from equity to the statement of income.

Reversals of impairment in respect of equity instruments classified as available-for-sale are not recognised in the statement of income but accounted for in other comprehensive income in a separate component of equity. Reversals of impairment losses on debt instruments are reversed through the statement of profit or loss and other comprehensive income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

4.9 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

4.10 Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements and faced as the separate balance sheet item. The corresponding liability is presented within amounts due to financial institutions or customers.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from other financial institutions or loans and advances to customers as appropriate and are not recognized in the statement of financial position. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

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

4.11 Property, plant and equipment

Property, plant and equipment ("PPE") are recorded at historical cost less accumulated depreciation. The Company's buildings are stated at fair value less accumulated depreciation. If the recoverable value of PPE is lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value. Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The following depreciation rates have been applied:

	Useful life (years)	Rate (%)
Buildings	**50**	**2**
Computers	**5**	**20**
Vehicles	**5**	**20**
Other fixed assets	**5**	**20**

Assets under the course of construction are accounted based on actual expenditures less any impairment losses. Upon completion of construction assets are transferred to property plant and equipment and accounted at their carrying amounts. Assets under the course of construction are not depreciated until they are ready for usage.

Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Land and buildings are devalued on a regular basis. The frequency of revaluation depends on changes in fair value of devalued assets. In case of significant divergences between fair value of devalued assets and their carrying amounts further revaluation is conducted. Revaluation is conducted for the whole class of property, plant and equipment.

Any revaluation surplus is credited to the revaluation reserve for property and equipment included in the revaluation reserve for property and equipment in equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of income, in which case the increase is recognised in the statement of income. A revaluation deficit is recognised in the statement of income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

When revalued assets are sold, the amounts attributed to disposed item of assets and included in the revaluation reserve are transferred to retained earnings.

4.12 Intangible assets

Intangible assets include computer software.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic lives of 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

According to IFRS 4 “Insurance contracts” the Company has elected to apply expanded presentation that splits the fair value of acquired insurance contracts into two components:

(a) a liability measured in accordance with the insurer’s accounting policies for insurance contracts that it issues; and

(b) an intangible asset, representing the difference between (i) the fair value of the contractual insurance rights acquired and insurance obligations assumed and (ii) the amount described in (a). The subsequent measurement of this asset shall be consistent with the measurement of the related insurance liability.

4.13 Leases

Operating - Company as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

4.14 Borrowings

Borrowings, which include amounts due to banks are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Borrowings that are directly related to the acquisition, construction or production of a qualifying asset are included in the value of these assets, according to the requirements IAS 23 Borrowing Costs.

4.15 Grants

Grants relating to the assets are included in other liabilities and are credited to the income statement on a straight line basis over the expected lives of the related assets.

4.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

4.17 Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

Retained earnings

Include retained earnings of current and previous periods.

Property revaluation surplus

The property revaluation surplus is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Revaluation reserve for available-for-sale securities

This reserve records fair value changes in available-for-sale-investments.

4.18 Offsetting

Financial assets and liabilities, and income and expenses, are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other key actors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The most significant areas of judgements and estimates with regards to these financial statements are presented below:

Insurance contract liabilities

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the balance sheet liability.

The main assumption underlying these estimates is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. The principal difficulty is that the insurance market in Armenia is relatively new and instable, and it is almost impossible to make any future estimates based on historical data.

The Company assesses its notified claims on the case-by-case basis. The IBNR is estimated using the statistical methods that are based on the historical data of past three years.

Allowance for impairment of receivables

The Company reviews its problem receivables at each reporting date to assess whether an allowance for impairment should be recorded in statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Classification of investment securities

Securities owned by the Company comprise Armenian state bonds. Upon initial recognition, the Company designates securities as available-for-sale financials assets recognition of changes in fair value through equity.

Related party transactions

In the normal course of business the Company enters into transactions with its related parties. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Tax legislation

Armenian tax legislation is subject to varying interpretations. Refer to Note 32.

6 Property, plant and equipment

In thousand Armenian drams	Land	Buildings	Machinery and equipment	Vehicles	Office equipment	Other PPE	Total
REVALUED COST							
At January 1, 2013	-	836,937	170,123	56,232	144,495	13,767	1,221,554
Revaluation		22,054	-	-	-	-	22,054
Depreciation adjustment as a result of revaluation		(14,575)	-	-	-	-	(14,575)
Additions	8,030	239,284	138,771	61,089	53,796	3,345	504,315
Disposals	-	-	(892)	(9,925)	(5,444)	(4,326)	(20,587)
At December 31, 2013	**8,030**	**1,083,700**	**308,002**	**107,396**	**192,847**	**12,786**	**1,712,761**
Additions	**2,000**	**21,953**	**12,680**	**1,530**	**19,939**	**-**	**58,102**
Disposals	**-**	**-**	**-**	**-**	**-**	**(1,046)**	**(1,046)**
At December 31, 2014	**10,030**	**1,105,653**	**320,682**	**108,926**	**212,786**	**11,740**	**1,769,817**
ACCUMULATED DEPRECIATION							
At January 1, 2013	-	3,210	75,024	28,119	54,041	1,245	161,639
Depreciation charge	-	11,365	42,280	14,834	37,204	881	106,564
Depreciation adjustment as a result of revaluation	-	(14,575)	-	-	-	-	(14,575)
Disposals	-	-	(871)	(6,580)	(4,071)	(563)	(12,085)
At December 31, 2013	-	-	116,433	36,373	87,174	1,563	241,543
Depreciation charge	**-**	**22,076**	**48,776**	**19,049**	**33,492**	**996**	**124,389**
Disposals	**-**	**-**	**-**	**-**	**-**	**(104)**	**(104)**
At December 31, 2014	**-**	**22,076**	**165,209**	**55,422**	**120,666**	**2,455**	**365,828**
CARRYING VALUE							
At December 31, 2014	**10,030**	**1,083,577**	**155,473**	**53,504**	**92,120**	**9,285**	**1,403,989**
At December 31, 2013	**8,030**	**1,083,700**	**191,569**	**71,023**	**105,673**	**11,223**	**1,471,218**
At January 1, 2013	-	833,727	95,099	28,113	90,454	12,522	1,059,915

Revaluation of assets

This buildings owned by the Company were evaluated by an independent appraiser "R V M" LLC on 21 December, 2013 using a combination of the comparative, income and cost methods resulting in a revaluation surplus of AMD 22,054 thousand and cost decrease as a result of revaluation in amount of AMD 298 thousand, which was recorded in the statement of profit or loss and other comprehensive income. Management has based their estimate of the fair value of the building on the results of the independent appraisal.

The net book value of buildings that would have been recognized by the difference of the historic cost and accumulated depreciation, the carrying value would be AMD 1,018,025 thousand, as at 31 December 2014 (2013: AMD 981,856 thousand).

The management believes that at 31 December 2014 the fair value of the buildings does not differ significantly from their market value.

Assets under construction

Fully depreciated items

As at 31 December 2014 fixed assets included fully depreciated assets in amount of AMD 91,820 thousand (2013: AMD 91,785 thousand).

Restrictions on title of fixed assets

As at 31 December 2014, the Company building at carrying value of AMD 1,003,510 thousand has been pledged as security for borrowings (2013: AMD 1,002,000 thousand) (see note 18).

7 Intangible assets

In thousand Armenian drams	Licenses and certificates	Software	Other intangible assets	Total
COST				
At January 1, 2013	-	71,354	648,145	719,499
Additions	23,018	12,671	2,019	37,708
At December 31, 2013	23,018	84,025	650,164	757,207
Additions	**28,918**	**8,240**	**3,455**	**40,613**
At December 31, 2014	**51,936**	**92,265**	**653,619**	**797,820**
AMORTISATION				
At January 1, 2013	-	7,205	175,297	182,502
Amortization charge	17,860	8,954	472,966	499,780
At December 31, 2013	**17,860**	**16,159**	**648,263**	**682,282**
Amortization charge	**9,927**	**10,444**	**1,507**	**21,878**
At December 31, 2014	**27,787**	**26,603**	**649,770**	**704,160**
CARRYING VALUE				
At December 31, 2014	**24,149**	**65,662**	**3,849**	**93,660**
At December 31, 2013	**5,158**	**67,866**	**1,901**	**74,925**
At January 1, 2013	-	64,149	472,848	536,997

As at 31 December 2014, the Company does not possess any intangible assets pledged as security for liabilities or whose title is otherwise restricted.

In 2012 the Company has acquired the insurance portfolio of "Cascade Insurance" ICJSC, as a result of which an intangible asset has been recognized in the Company's statement of financial position, which represents the positive difference between the fair value of the asset acquired and the compensation paid.

In additions to licenses and certificates are included licenses in fair value of AMD 17,509 thousand received from shareholder as a grant. Amortization expenses on those licenses amounted AMD 4,377 thousand (2013: AMD 13,132 thousand) and the Company recognized income from grant in the same amount by decreasing the grants relating to assets, reflected in liabilities (See note 21).

8 Other assets

In thousand Armenian drams	2014	2013
Prepayments and other debtors	**285,859**	285,438
Less allowance for impairment	**(1,620)**	(2,067)
	284,239	283,371
Prepaid taxes and duties		150
Settlements with employees	**248**	88
Blanks	**4,285**	3,757
Other	**2,204**	2,953
Total other assets	**290,976**	290,319

Reconciliation of allowance account for losses on other assets is as follows:

In thousand Armenian drams	Total
At January 1, 2013	1,055
Charge for the year	1,841
Amounts written off	(966)
Recoveries	137
At December 31, 2013	2,067
Charge for the year	**13,232**
Amounts written off	**(17,126)**
Recoveries	**3,447**
At December 31, 2014	**1,620**

9 Deferred acquisition costs

The following table demonstrates the reconciliation of acquisition costs deferred during the period:

In thousand Armenian drams	Total
At January 1, 2013	531,039
Acquisition costs deferred	1,326,122
Recognition of expense (Note 26)	(1,326,872)
At December 31, 2013	**530,289**
Acquisition costs deferred	**1,282,546**
Recognition of expense (Note 26)	**(1,252,596)**
At December 31, 2014	**560,239**

10 Insurance receivables

In thousand Armenian drams	2014	2013
Amounts due from policyholders	**897,704**	938,066
Amounts due from reinsurers	**63,297**	20,825
Amounts due from intermediaries	**397,880**	756,419
Subrogation	**157,957**	23,198
Other insurance receivables	**-**	45,240
Less allowance for impairment	**(274,282)**	(38,171)
Total insurance receivables	**1,242,556**	1,745,577

Reconciliation allowance for impairment in respect of insurance receivables during the year is as follows:

In thousand Armenian drams	Total
At January 1, 2013	33,954
Charge for the year	16,581
Amounts written off	(17,378)
Recoveries	5,014
At December 31, 2013	**38,171**
Charge for the year	**392,228**
Amounts written off	**(177,044)**
Recoveries	**20,927**
At December 31, 2014	**274,282**

11 Borrowings to other parties

In thousand Armenian drams	2014	2013
Borrowings to individuals	**1,175**	5,512
Borrowings to legal entities	**5,400**	3,010
Impairment allowance	**(60)**	(1,781)
Total borrowings to other parties	**6,515**	6,741

The movement in allowance for impairment losses on borrowings to other parties was as follows:

In thousand Armenian drams	Total
At January 1, 2013	-
Charge for the year	1,781
At December 31, 2013	1,781
Charge for the year	**729**
Amounts written off	**(2,450)**
At December 31, 2014	**60**

12 Amounts due from other financial institutions

In thousand Armenian drams	2014	2013
Deposits	**1,562,762**	1,377,573
Borrowings to financial institutions	**100,411**	172,538
Total amounts due from other financial institutions	**1,663,173**	1,550,111

As at 31 December 2014 deposits in other financial institutions in amount of AMD 1,124,256 thousand (72%) were due from 5 banks (2013: AMD 1,158,048 thousand (84%) were due from 5 banks).

As at 31 December 2014 there is a deposit in amount of AMD 6,000 thousand pledged as security for the Company's borrowings and for the received guarantees (2013: nil).

13 Investments available for sale

In thousand Armenian drams	2014	2013
Unquoted investments		
Securities issued by the Ministry of Finance of Armenia	**1,351,044**	2,202,680
Corporate bonds	**164,160**	184,588
Total investments	**1,515,204**	2,387,268

All debt securities have fixed coupons.

The fair value of unquoted available-for-sale debt securities is measured using a valuation technique, which uses current market rates to discount future cash flows of the financial instruments.

Available for sale securities by effective interest rates and maturity dates comprise:

In thousand Armenian drams		2014		2013
	%	**Maturity**	%	Maturity
Securities issued by the Ministry of Finance of Armenia	**9.19-14.36**	**2016-2032**	8.13-10.85	2014-2028
Corporate bonds	**13.1**	**2016**	10.1-13	2013-2014

Debt securities available for sale at fair value of AMD 4,016,977 thousand (2013: AMD 3,825,577 thousand) were pledged to third parties in sale and repurchase agreements for periods not exceeding six months. These have been reclassified as securities pledged under repurchase agreements on the face of the balance sheet (Note 19).

As at 31 December 2013 Company's corporate bonds in nominal value of AMD 160,000 thousand are pledged for loans received by the Company (Note 18).

14 Cash and cash equivalents

In thousand Armenian drams	2014	2013
Cash on hand	**4,334**	4,259
Bank accounts	**165,858**	129,233
Total cash and cash equivalents	**170,192**	133,492

As at 31 December 2014 the bank accounts in amount of AMD 135,525 thousand (82%) is due from 5 banks (2013: AMD 101,886 thousand (79%) due from 5 banks).

15 Share capital

As at 31 December 2014 the Company’s registered and paid-in share capital was AMD 2,536,260 thousand. In accordance with the Company’s statues, the share capital consists of 4,124 shares, all of which have a nominal value of AMD 615,000 each.

The respective shareholding as at 31 December 2014 and 2013 may be specified as follows:

In thousand Armenian drams	2014		2013	
	Paid-in share capital	**% of total paid-in capital**	Paid-in share capital	% of total paid-in capital
Levon Altunyan	**634,065**	**25**	634,065	25
“Invest Polis” CJSC	**1,902,195**	**75**	1,902,195	75
	2,536,260	**100**	2,536,260	100

As at 31 December 2014, the Company did not possess any of its own shares.

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

Distributable among shareholders reserves equal the amount of retained earnings, determined according to the Armenian legislation. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general insurance risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Company’s statutes that provide for the creation of a reserve for these purposes of not less than 15% of the Company’s share capital reported in statutory books.

16 Insurance contract liabilities

In thousand Armenian drams	2014			2013		
	Insurance contract liabilities	**Reinsurance assets**	**Net liabilities**	Insurance contract liabilities	Reinsurance assets	Net liabilities
Unearned premiums	**3,124,369**	**(810,162)**	**2,314,207**	2,989,290	(827,958)	2,161,332
Claims incurred but not reported	**254,747**	**(46,343)**	**208,404**	239,630	(19,997)	219,633
Notified claims	**453,426**	**(114,914)**	**338,512**	437,326	(56,116)	381,210
At December 31	**3,832,542**	**(971,419)**	**2,861,123**	3,666,246	(904,071)	2,762,175

The following tables show the changes in the insurance liabilities and related reinsurance assets during the period:

Unearned premium

In thousand Armenian drams	Insurance contract liabilities	Reinsurance assets	Net liabilities
At January 1, 2013	2,809,936	(854,890)	1,955,046
Premiums written during the period	7,608,469	(1,152,185)	6,456,284
Premiums earned during the period	(7,429,115)	1,179,117	(6,249,998)
At December 31, 2013	**2,989,290**	**(827,958)**	**2,161,332**
Premiums written during the period	**7,247,048**	**(1,096,035)**	**6,151,013**
Premiums earned during the period	**(7,111,969)**	**1,113,831**	**(5,998,138)**
At December 31, 2014	**3,124,369**	**(810,162)**	**2,314,207**

Claims provision

In thousand Armenian drams	Insurance contract liabilities	Reinsurance assets	Net liabilities
Claims incurred but not reported	205,009	(12,937)	192,072
Notified claims	307,598	(72,383)	235,215
At January 1, 2013	512,607	(85,320)	427,287
Total change in provision for claims notified and IBNR	3,988,559	(103,684)	3,884,875
Claims paid	(3,824,210)	112,891	(3,711,319)
At December 31, 2013	676,956	(76,113)	600,843
Claims incurred but not reported	239,630	(19,997)	219,633
Notified claims	437,326	(56,116)	381,210
At December 31, 2013	**676,956**	**(76,113)**	**600,843**
Total change in provision for claims notified and IBNR	**3,531,480**	**(310,764)**	**3,220,716**
Claims paid	**(3,500,263)**	**225,620**	**(3,274,643)**
At December 31, 2014	**708,173**	**(161,257)**	**546,916**
Claims incurred but not reported	**254,747**	**(46,343)**	**208,404**
Notified claims	**453,426**	**(114,914)**	**338,512**
At December 31, 2014	**708,173**	**(161,257)**	**546,916**

17 Insurance payables

In thousand Armenian drams	2014	2013
Amounts payable to policyholders	**18,867**	15,333
Amounts payable to reinsurers	**521,398**	578,082
Amounts payable to agents, brokers and intermediaries	**119,419**	162,684
Total insurance payables	**659,684**	756,099

18 Loans from banks

In thousand Armenian drams	2014	2013
Loans from banks	**526,296**	1,153,109
Total loans from banks	**526,296**	1,153,109

Loans from banks have variable interest rates, which are calculated at the partner bank's base rate plus 2.2% annually.

As at 31 December 2014 received loans are secured by the Company's head office building (Notes 6, 13) (2013: head office building, bank account turnover, corporate bonds).

The Company has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2013: nil).

19 Securities pledged under repurchase agreements

In thousand Armenian drams	Asset		Liability	
	2014	2013	**2014**	2013
Investments available for sale (note 13)	**4,016,980**	3,825,577	**3,711,145**	3,698,671
	4,016,980	3,825,577	**3,711,145**	3,698,671

20 Revenues of future periods

Revenues of future periods relate to deferred reinsurance commissions, the reconciliation of which is presented below:

In thousand Armenian drams	Total
At January 1, 2013	84,561
Deferred reinsurance commissions	175,391
Recognition of income (Note 23)	(164,611)
At December 31, 2013	95,341
Deferred reinsurance commissions	**174,936**
Recognition of income (Note 23)	**(170,666)**
At December 31, 2014	**99,611**

21 Other liabilities

In thousand Armenian drams	2014	2013
Accounts payables	**20,855**	42,360
Accounts payables to Armenian Motor Insurers' Bureau	**14,207**	28,171
Staff related liabilities	**71,029**	77,375
Other accounts payables	**13,949**	19,515
Total financial liabilities	***120,040***	***167,421***
Tax payable, other than income tax	**28,930**	71,710
Grants related to assets	**-**	4,377
Total other liabilities	**148,970**	243,508

Grants related to assets

In thousand Armenian drams	2014	2013
At January 1	**4,377**	-
Increase	**-**	17,509
Recognition of income	**(4,377)**	(13,132)
At December 31	**-**	4,377

22 Premiums written

In thousand Armenian drams	**Gross premiums written**	**Change in the gross provision for unearned premiums**	***Gross insurance premium revenue***	**Written premiums ceded to reinsurers**	**Reinsurers' share of change in the gross provision for unearned premiums**	***Ceded earned premiums***	**Net insurance premium revenue**
							2014
Accident	**194,794**	**3,607**	***198,401***	**(11,526)**	**(4,118)**	***(15,644)***	***182,757***
Health	**1,325,822**	**223,600**	***1,549,422***	**-**	**-**	***-***	***1,549,422***
Motor	**528,999**	**(56,413)**	***472,586***	**(106,712)**	**1,709**	***(105,003)***	***367,583***
Aircrafts	**29,911**	**(3,590)**	***26,321***	**(19,289)**	**1,826**	***(17,463)***	***8,858***
Cargo	**105,701**	**41,957**	***147,658***	**(72,505)**	**(23,267)**	***(95,772)***	***51,886***
Fire and natural diseases	**943,618**	**23,947**	***967,565***	**(639,270)**	**(14,474)**	***(653,744)***	***313,821***
Voluntary motor liability	**23,871**	**(2,691)**	***21,180***	**(6,807)**	**(1,585)**	***(8,392)***	***12,788***
Aircraft liability	**18,557**	**(913)**	***17,644***	**(14,098)**	**430**	***(13,668)***	***3,976***
General liability	**174,324**	**(19,246)**	***155,078***	**(116,133)**	**13,584**	***(102,549)***	***52,529***
Provision of guarantees	**-**	**94**	***94***	**-**	**-**	***-***	***94***
Financial losses	**67,736**	**(8,010)**	***59,726***	**(63,520)**	**8,327**	***(55,193)***	***4,533***
Travel	**215,890**	**(5,203)**	***210,687***	**(46,175)**	**(228)**	***(46,403)***	***164,284***
CMTPL	**3,617,825**	**(332,218)**	***3,285,607***	**-**	**-**	***-***	***3,285,607***
As of December 31	**7,247,048**	**(135,079)**	***7,111,969***	**(1,096,035)**	**(17,796)**	***(1,113,831)***	***5,998,138***

In thousand Armenian drams	Gross premiums written	Change in the gross provision for unearned premiums	*Gross insurance premium revenue*	Written premiums ceded to reinsurers	Reinsurers' share of change in the gross provision for unearned premiums	*Ceded earned premiums*	Net insurance premium revenue
							2013
Accident	184,526	(4,140)	*180,386*	(21,560)	1,646	*(19,914)*	*160,472*
Health	2,123,393	218,299	*2,341,692*	-	-	-	*2,341,692*
Motor	409,205	19,657	*428,862*	(93,250)	6,279	*(86,971)*	*341,891*
Aircrafts	38,000	(2,276)	*35,724*	(25,012)	1,436	*(23,576)*	*12,148*
Cargo	184,176	(3,320)	*180,856*	(116,548)	1,843	*(114,705)*	*66,151*
Fire and natural diseases	963,635	7,352	*970,987*	(696,634)	(49,809)	*(746,443)*	*224,544*
Voluntary motor liability	16,615	186	*16,801*	(11,410)	290	*(11,120)*	*5,681*
Aircraft liability	14,800	(1,313)	*13,487*	(8,494)	775	*(7,719)*	*5,768*
General liability	135,797	9,398	*145,195*	(91,925)	(8,728)	*(100,653)*	*44,542*
Provision of guarantees	-	163	*163*	-	-	-	*163*
Financial losses	52,444	(8,885)	*43,559*	(48,082)	7,577	*(40,505)*	*3,054*
Travel	197,823	(12,313)	*185,510*	(39,270)	11,759	*(27,511)*	*157,999*
CMTPL	3,288,055	(402,162)	*2,885,893*	-	-	-	*2,885,893*
As of December 31	7,608,469	(179,354)	7,429,115	(1,152,185)	(26,932)	*(1,179,117)*	*6,249,998*

23 Net insurance commission income

In thousand Armenian drams	**Reinsurance commission**	**Reinsurance commission refund as per cancellations**	**Net reinsurance commission**	Reinsurance commission	Reinsurance commission refund as per cancellations	Net reinsurance commission
			2014			2013
Accident	**2,502**	**(20)**	**2,482**	3,361	(57)	3,304
Motor	**34,190**	**(1,546)**	**32,644**	23,633	(1,720)	21,913
Cargo	**16,379**	**-**	**16,379**	19,427	(9)	19,418
Fire and natural diseases	**98,423**	**(2,215)**	**96,208**	105,427	(3,345)	102,082
Voluntary motor liability	**2,720**	**(160)**	**2,560**	2,840	(53)	2,787
Aircraft liability	**843**	**(577)**	**266**	-	-	-
General liability	**12,300**	**(33)**	**12,267**	10,012	(554)	9,458
Financial losses	**7,254**	**-**	**7,254**	5,177	-	5,177
Travel	**606**	**-**	**606**	472	-	472
Total	**175,217**	**(4,551)**	**170,666**	170,349	(5,738)	164,611

24 Investment income

In thousand Armenian drams	**2014**	2013
Interest income from amounts due from financial institutions	**209,484**	155,547
Interest income from available-for-sale securities	**572,030**	470,385
Other investment income	**95**	515
Total investment income	**781,609**	626,447

25 Insurance claims

											2014
In thousand Armenian drams	Accident	Health	Motor	Cargo	Fire and natural diseases	Motor liability	General liability	Financial losses	Travel	CMTPL	Total
Current year claims	57,930	1,061,434	211,821	5,669	22,289	5,843	7,637	137,636	30,050	1,959,954	3,500,263
Change in provisions for incurred but not reported claims	4,673	(16,804)	(991)	134	1,815	210	22,300	6,405	5,914	(8,539)	15,117
Change in provisions for reported but not settled claims	(2,378)	(55,961)	(2,968)	(323)	37,157	(1,389)	5,568	9,477	21,654	5,263	16,100
Claims incurred	60,225	988,669	207,862	5,480	61,261	4,664	35,505	153,518	57,618	1,956,678	3,531,480
Reinsurers’ share in current year claims	-	-	(44,466)	(5,105)	(33,087)	(4,646)	(7,136)	(131,180)	-	-	(225,620)
Change in reinsurers' share in incurred but not reported provisions	-	-	281	(120)	(3,446)	(222)	(18,872)	(6,171)	2,205	-	(26,345)
Change in reinsurers' share in reported but not settled claims	-	-	(7,962)	292	(34,150)	(1)	(5,730)	(11,248)	-	-	(58,799)
Reinsurance share in claims incurred	-	-	(52,147)	(4,933)	(70,683)	(4,869)	(31,738)	(148,599)	2,205	-	(310,764)
Net insurance claims incurred	60,225	988,669	155,715	547	(9,422)	(205)	3,767	4,919	59,823	1,956,678	3,220,716

In thousand Armenian drams	Accident	Health	Motor	Cargo	Fire and natural diseases	Motor liability	General liability	Financial losses	Travel	CMTPL	2013 Total
Current year claims	21,390	1,341,548	228,677	2,666	45,387	255	185	19,016	29,097	2,135,989	3,824,210
Change in provisions for incurred but not reported claims	51	29,208	(7,487)	38	1,610	(98)	16,230	1,238	(5,216)	(953)	34,621
Change in provisions for reported but not settled claims	1,800	113,281	(24,482)	(127)	12,589	(1,910)	9,336	5,754	(12,244)	25,731	129,728
Claims incurred	23,241	1,484,037	196,708	2,577	59,586	(1,753)	25,751	26,008	11,637	2,160,767	3,988,559
Reinsurers' share in current year claims	-	-	(58,049)	(2,399)	(31,870)	(204)	(94)	(19,016)	(1,259)	-	(112,891)
Change in reinsurers' share in incurred but not reported provisions	-	-	2,809	(40)	1,233	129	(8,057)	(1,217)	(1,918)	-	(7,061)
Change in reinsurers' share in reported but not settled claims	-	-	34,122	26	(9,793)	2,625	(5,387)	(5,325)	-	-	16,268
Reinsurance share in claims incurred	-	-	(21,118)	(2,413)	(40,430)	2,550	(13,538)	(25,558)	(3,177)	-	(103,684)
Net insurance claims incurred	23,241	1,484,037	175,590	164	19,156	797	12,213	450	8,460	2,160,767	3,884,875

26 Acquisition costs

In thousand Armenian drams	2014	2013
Commission to agents		
Accident	**49,727**	48,456
Health	**270,552**	392,542
Motor	**79,888**	84,456
Fire and natural diseases	**112,319**	149,961
Travel	**61,831**	54,884
CMTPL	**485,592**	396,452
Other	**45,031**	44,016
	1,104,940	1,170,767
Commission to brokers		
Motor	**1,186**	12,797
Cargo	**4,063**	7,818
Fire and natural diseases	**8,426**	40,521
Voluntary motor liability	**128**	1,643
General liability	**5,536**	5,496
Other	**2,780**	2,828
	22,119	71,103
Medical check-up and other acquisition costs	**125,537**	85,002
Total acquisition costs	**1,252,596**	1,326,872

27 Financial expenses

In thousand Armenian drams	2014	2013
Interest expenses from loans under repurchase agreements	**329,296**	295,040
Interest expenses from loans received from banks	**105,380**	43,673
Total financial expenses	**434,676**	338,713

28 Impairment charge

In thousand Armenian drams	2014	2013
Other assets (Note 8)	**13,232**	1,841
Insurance receivables (Note 10)	**392,228**	16,581
Borrowings to other parties (Note 11)	**729**	1,781
Total impairment charge	**406,189**	20,203

29 Staff costs

In thousand Armenian drams	2014	2013
Salaries and other payments	**830,670**	957,057
Total staff costs	**830,670**	957,057

30 Other operating and administrative expenses

In thousand Armenian drams	2014	2013
Fixed and intangible assets maintenance	**41,651**	45,675
Advertising costs	**195,388**	81,162
Business trip expenses	**10,412**	13,798
Communications	**29,689**	42,022
Operating lease	**102,574**	134,339
Taxes, other than income tax, duties	**21,761**	21,730
Consulting and other services	**81,802**	69,788
Security	**5,385**	4,811
Representative expenses	**6,497**	3,762
Bank services	**2,683**	3,683
Office supplies	**62,128**	65,633
Penalties paid	**5,183**	3,135
Losses from sale of PPE	**943**	6,974
Membership fee	**2,200**	3,950
Payments to Armenian Motor Insurers' Bureau	**98,406**	109,186
Assets given on gratis basis	**7,335**	13,238
Other expenses	**64,567**	36,827
Total other operating and administrative expenses	**738,604**	659,713

31 Income tax expense

In thousand Armenian drams	2014	2013
Current tax expense	**160,655**	25,395
Deferred tax	**(25,591)**	51,830
Total income tax expense	**135,064**	77,225

The corporate income tax within the Republic of Armenia is levied at the rate of 20% (2013: 20%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred income tax is calculated using the principal tax rate of 20%.

As at date of auditor's report Company has not presented the corporate income tax report to tax service yet, therefore current tax amount may vary.

Numerical reconciliation between the tax expenses and accounting profit/(loss) is provided below:

In thousand Armenian drams	2014	Effective rate (%)	2013	Effective rate (%)
Profit/(loss) before tax	**585,908**		(470,953)	
Income tax at the rate of 20%	**117,182**	**20**	(94,191)	20
Non-taxable income	**2,311**	**-**	-	-
Non-deductible expenses	**15,222**	**3**	104,105	(22)
Effect of previously unrecognized deferred tax liabilities	**-**	**-**	66,955	(14)
Foreign exchange (gains)/losses	**349**	**-**	356	-
Total income tax expense	**135,064**	**23**	77,225	(16)

Deferred tax calculation in respect of temporary differences:

In thousand Armenian drams	2013	Recognized in profit or loss	Recognized in other comprehensive income	2014
Other liabilities	**15,652**	**(1,492)**	**-**	**14,160**
Insurance receivables	**-**	**32,917**	**-**	**32,917**
Insurance payables	**6,515**	**(5,775)**	**-**	**740**
Revenues of future periods	**19,068**	**854**	**-**	**19,922**
Leasehold improvements	**1,842**	**(229)**	**-**	**1,613**
Tax losses carried forward	**-**	**-**	**-**	**-**
Total deferred tax assets	**43,077**	**26,275**	**-**	**69,352**
Property, plant and equipment	**(16,324)**	**(2,035)**	**-**	**(18,359)**
Investments available-for-sale	**(91,602)**	**-**	**175,342**	**83,740**
Other assets	**(439)**	**(20)**	**-**	**(459)**
Insurance receivables	**(1,615)**	**(546)**	**-**	**(2,161)**
Amounts due to financial institutions	**(3,104)**	**(235)**	**-**	**(3,339)**
Cash and cash equivalents	**(258)**	**(74)**	**-**	**(332)**
Other insurance liabilities	**(15,216)**	**8,343**	**-**	**(6,873)**
Other reserves	**-**		**-**	
Deferred acquisition costs	**(105,859)**	**(6,117)**	**-**	**(111,976)**
Total deferred tax liability	**(234,417)**	**(684)**	**175,342**	**(59,759)**
Net deferred tax asset/(liability)	**(191,340)**	**25,591**	**175,342**	**9,593**

In thousand Armenian drams	2012	Recognized in profit or loss	Recognized in other comprehensive income	2013
Other liabilities	11,120	4,532	-	15,652
Insurance payables	-	6,515	-	6,515
Revenues of future periods	-	19,068	-	19,068
Leasehold improvements	2,503	(661)	-	1,842
Tax losses carried forward	7,000	(7,000)	-	-
Total deferred tax assets	20,623	22,454	-	43,077
Property, plant and equipment	(8,553)	(3,360)	(4,411)	(16,324)
Investments available for sale	(23,822)	-	(67,780)	(91,602)
Other assets	(436)	(3)	-	(439)
Insurance receivables	(3,345)	1,730	-	(1,615)
Amount due to financial institutions	(3,369)	265	-	(3,104)
Cash and cash equivalents	(245)	(13)	-	(258)
Other insurance liabilities	(46,222)	31,006	-	(15,216)
Other reserves	(1,950)	1,950	-	-
Deferred acquisition expenses	-	(105,859)	-	(105,859)
Total deferred tax liability	(87,942)	(74,284)	(72,191)	(234,417)
Net deferred tax liability	(67,319)	(51,830)	(72,191)	(191,340)

32 Contingent liabilities and commitments

Tax and legal matters

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

Often tax authorities present claims for transactions and accounting methods, for which no observations have been presented previously. As a result additional fines and penalties could arise. Tax review can include 3 calendar years immediately preceding the year of a review. In certain circumstances tax review can include earlier periods.

Management believes that the Company has complied with all regulations and has completely settled all its tax liabilities.

The Company has formed provisions in the notified claims reserves for legal actions regarding the claims.

Management also believes that the ultimate liability, if any, arising from other legal actions and complaints taken against the Company, will not have a material adverse impact on the financial condition or results of future operations of the Company.

Therefore, the Company has not made any respective provision related to such tax and legal matters.

Operating lease commitments – Company as a lessee

In the normal course of business the Company enters into commercial lease agreements for office premises.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

In thousand Armenian drams	**2014**	2013
Not later than 1 year	**81,127**	95,898
1 - 5 years	**140,802**	270,539
Later than 5 years	**741,098**	171,525
Total operating lease commitments	**963,027**	537,962

Insurance

The insurance industry in Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. However, as at 31 December 2014 the Company's transportation is insured. 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 the Company's operations and financial position.

Starting from 2010 the Company is member of Armenian compulsory motor insurance bureau (hereinafter «the Bureau»). The purpose of the Bureau is to protect injured parties and contribute to the development and stability of the Compulsory motor insurance. The Bureau's member insurance companies perform single, periodic or supplementary payments. The Bureau compensates injured parties through the guarantee fund, if:

- The damaged vehicle or the party having signed a Compulsory motor insurance contract on the mentioned vehicle is unknown (in this case only the damage to injured parties is compensated),
- A damage has been caused as a result of use of a vehicle, on which a Compulsory motor insurance contract has not been signed,
- The damage has been caused through a stolen vehicle or illegally owned vehicle without no stealing purposes,
- The insurance company having written an insurance contract on the damaged vehicle has been recognized insolvable, if the latter was obliged to compensate the damage, as well as in other cases set by the law.

33 Transactions with related parties

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 shareholders, members of Company's Management as well as other persons and enterprises related with and controlled by them respectively.

The ultimate controlling party of the Company is "INGOSTRAKH" IOJSC, registered in Russian Federation, who possesses 100% of voting shares of "Invest-Polis" CJSC who is a 75% shareholder of the Company.

The Company enters into transactions with related parties in the normal course of business. Details of significant transactions carried out during the year with related parties are as follows.

In thousand Armenian drams	**2014**		2013	
	Shareholders and associates	**Key management personnel**	Shareholders and associates	Key management personnel
Statement of financial position				
Amounts due from policyholders				
Balance outstanding at January 1	**118**	**374**	-	232
Increase during the year	**883**	**1,858**	906	1,363
Decrease during the year	**(886)**	**(1,579)**	(788)	(1,221)
Balance outstanding at December 31	**115**	**653**	118	374
Amounts due from reinsurers				
Balance outstanding at January 1	**-**	**-**	-	
Increase during the year	**16,882**	**-**	3,722	
Decrease during the year	**(16,882)**	**-**	(3,722)	
Balance outstanding at December 31	**-**	**-**	-	
Prepayments and other receivables				
Balance outstanding at January 1	**160,670**	**-**	90,840	3,787
Increase during the year	**7**	**141**	265,105	-
Decrease during the year	**(7)**	**-**	(195,275)	(3,787)
Balance outstanding at December 31	**160,670**	**141**	160,670	-
Amounts due to policyholders				
Balance outstanding at January 1	**-**	**-**	-	-
Increase during the year	**483,602**	**89**	457,981	1,536
Decrease during the year	**(483,602)**	**(89)**	(457,981)	(1,536)
Balance outstanding at December 31	**-**	**-**	-	-
Amounts due to reinsurers				
Balance outstanding at January 1	**61,179**	**-**	52,369	-
Increase during the year	**168,619**	**-**	154,247	-
Decrease during the year	**(182,942)**	**-**	(145,437)	-
Balance outstanding at December 31	**46,856**	**-**	61,179	-
	-			
Grants relating to assets				
Balance outstanding at January 1	**4,377**	**-**	-	-
Increase during the year	**-**	**-**	17,509	-
Decrease during the year	**(4,377)**	**-**	(13,132)	-
Balance outstanding at December 31	**-**	**-**	4,377	-
Statement of profit or loss and other comprehensive income				
Gross written premiums	**883**	**1,858**	906	1,363
Gross claims	**-**	**89**	-	1,536

In thousand Armenian drams	2014		2013	
	Shareholders and associates	**Key management personnel**	Shareholders and associates	Key management personnel
Premiums written to reinsurers	**166,489**	**-**	154,247	-
Compensation received from reinsurers	**16,882**	**-**	-	-
Other amounts				
Purchase of goods	**-**	**1,574**	-	6,075

Compensation of key management personnel was comprised of the following:

In thousand Armenian drams	2014	2013
Salaries and other short-term benefits	**168,707**	224,788
Total key management compensation	**168,708**	224,788

34 Fair value measurement

The Company's Management determines the policies and procedures for unquoted available-for-sale securities and buildings.

External valuers are involved for valuation of significant assets, such as properties, involvement of external valuers is decided upon annually by the Company's Management.

At each reporting date, the Company's Management analyses the movements in the values of assets and liabilities which are required to be re-assessed as per the Company's accounting policies. For this analysis are verified the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company in conjunction with the external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Financial and non-financial assets and liabilities measured at fair value in the statement of financial position are presented below. This hierarchy groups financial and non-financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

34.1 Financial instruments that are not measured at fair value

The table below presents the fair value of financial assets and liabilities not measured at their fair value in the statement of financial position and analyses them by the level in the fair value hierarchy into which teach fair value measurement is categorised.

In thousand Armenian drams	**As of 31 December 2014**				
	Level 1	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
FINANCIAL ASSETS					
Insurance receivables	**-**	**1,242,556**	**-**	**1,242,556**	**1,242,556**
Loans to other parties	**-**	**6,515**	**-**	**6,515**	**6,515**
Reinsurance assets	**-**	**971,419**	**-**	**971,419**	**971,419**
Amounts due from other financial institutions	**-**	**1,663,173**	**-**	**1,663,173**	**1,663,173**
Cash and cash equivalents	**-**	**170,192**	**-**	**170,192**	**170,192**
FINANCIAL LIABILITIES					
Insurance contract liabilities	**-**	**3,832,542**	**-**	**3,832,542**	**3,832,542**
Loans from banks	**-**	**526,296**	**-**	**526,296**	**526,296**
Loans under repurchase agreements	**-**	**3,711,145**	**-**	**3,711,145**	**3,711,145**
Insurance payables	**-**	**659,684**	**-**	**659,684**	**659,684**
Other liabilities	**-**	**120,040**	**-**	**120,040**	**120,040**

In thousand Armenian drams	As of 31 December 2013				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
FINANCIAL ASSETS					
Insurance receivables	-	1,745,577	-	1,745,577	1,745,577
Loans to other parties	-	6,741	-	6,741	6,741
Reinsurance assets	-	904,071	-	904,071	904,071
Amounts due from other financial institutions	-	1,550,111	-	1,550,111	1,550,111
Cash and cash equivalents	-	133,492	-	133,492	133,492
FINANCIAL LIABILITIES					
Insurance contract liabilities	-	3,666,246	-	3,666,246	3,666,246
Loans from banks	-	1,153,109	-	1,153,109	1,153,109
Loans under repurchase agreements	-	3,698,671	-	3,698,671	3,698,671
Insurance payables	-	756,099	-	756,099	756,099
Other liabilities	-	167,421	-	167,421	167,421

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. The fair value of those instruments does not differ from their carrying amounts at reporting date.

34.2 Financial instruments that are measured at fair value

In thousand Armenian drams				**2014**
	Level 1	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS				
Unlisted equity investments (Note 13, 19)	**-**	**5,532,184**	**-**	**5,532,184**
Total	**-**	**5,532,184**	**-**	**5,532,184**

In thousand Armenian drams				2013
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Unlisted equity investments (Note 13, 19)	-	6,212,845	-	6,212,845
Total	-	6,212,845	-	6,212,845

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

34.3 Fair value measurements of non-financial assets and liabilities

In thousand Armenian drams				**2014**
	Level 1	**Level 2**	**Level 3**	**Total**
NON-FINANCIAL ASSETS				
Property, plant and equipment				
Buildings	**-**	**1,115,683**	**-**	**1,115,683**
Total	**-**	**1,115,683**	**-**	**1,115,683**
NON-FINANCIAL LIABILITIES				
	-	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**
Net fair value	**-**	**1,115,683**	**-**	**1,115,683**

In thousand Armenian drams				**2014**
	Level 1	**Level 2**	**Level 3**	**Total**

In thousand Armenian drams				2013
	Level 1	Level 2	Level 3	Total
NON-FINANCIAL ASSETS				
Property, plant and equipment				
Buildings	-	1,091,730	-	1,091,730
Total	-	1,091,730	-	1,091,730
NON-FINANCIAL LIABILITIES				
	-	-	-	-
Total	-	-	-	-
Net fair value	-	1,091,730	-	1,091,730

Fair value of the Company's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors at each reporting date.

The appraisal of the buildings owned by the Company was carried out by an independent appraiser "R V M" LLC on 21 December, 2013 using a combination of the comparative, income and cost methods. Management has based their estimate of the fair value of the building on the results of the independent appraisal.

35 Offsetting of financial assets and financial liabilities

In the ordinary course of business, the Company performs different operations with financial instruments which may be presented in net amounts when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The table below presents financial assets and financial liabilities that are offset in the 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.

In thousand Armenian drams					**As of December 31, 2014**
			Amounts offset	Related amounts that are not offset in the statement of financial position	
	Gross financial liabilities	Gross financial assets/ liabilities offset	Net amounts presented	Financial instruments not recognised in the statement of financial position	Net
FINANCIAL ASSETS					
Reverse repurchase agreements (Note 19)	**(3,711,145)**	**-**	**(3,711,145)**	**4,016,980**	**305,835**
	(3,711,145)	**-**	**(3,711,145)**	**4,016,980**	**305,835**

In thousand Armenian drams				**As of December 31, 2014**	
			Amounts offset	Related amounts that are not offset in the statement of financial position	

In thousand Armenian drams				As of December 31, 2013	
			Amounts offset	Related amounts that are not offset in the statement of financial position	
	Gross financial assets /liabilities	Gross financial assets/ liabilities offset	Net amounts presented	Financial instruments not recognised in the statement of financial position	Net
FINANCIAL ASSETS					
Reverse sale and repurchase agreements (Note 19)	(3,698,671)	-	(3,698,671)	3,825,577	126,906
	(3,698,671)	-	(3,698,671)	3,825,577	126,906

36 Maturity analysis of assets and liabilities

The table below summarises the maturity profile of assets and liabilities of the Company based to when they are expected to be recovered or settled. See Note 37.4 for the Company's contractual undiscounted repayment obligations. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

In thousand Armenian drams								**2014**
	Less than 1 month	**From 1 to 3 months**	**From 3 to 12 months**	**Subtotal less than 12 months**	**From 1 to 5 years**	**More than 5 years**	**Subtotal over 12 months**	**Total**
ASSETS								
Insurance receivables	**2,228**	**43,412**	**1,071,776**	***1,117,416***	**124,689**	**451**	***125,140***	**1,242,556**
Loans to other parties	**-**	**125**	**550**	***675***	**5,840**	**-**	***5,840***	**6,515**
Amounts due from financial institutions	**621,201**	**272,015**	**769,957**	***1,663,173***	**-**	**-**	**-**	**1,663,173**
Reinsurance assets	**-**	**161,257**	**-**	***161,257***	**-**	**-**	**-**	**161,257**
Securities pledged under repurchase agreements	**-**	**68,372**	**44,773**	***113,145***	**2,309,261**	**1,594,574**	***3,903,835***	**4,016,980**
Investments available-for-sale	**4,160**	**13,517**	**18,795**	***36,472***	**642,159**	**836,573**	***1,478,732***	**1,515,204**
Cash and cash equivalents	**170,192**	**-**	**-**	***170,192***			**-**	**170,192**
	797,781	**558,698**	**1,905,851**	**3,262,330**	**3,081,949**	**2,431,598**	**5,513,547**	**8,775,877**
LIABILITIES								
Insurance contract liabilities	**-**	**708,173**	**-**	***708,173***	**-**	**-**	**-**	**708,173**
Insurance payables	**256,872**	**315,190**	**83,947**	***656,009***	**1,205**	**2,470**	***3,675***	**659,684**
Loans from banks	**59,629**	**291,667**	**175,000**	***526,296***	**-**	**-**	**-**	**526,296**
Loans under repurchase agreements	**3,711,145**	**-**	**-**	***3,711,145***	**-**	**-**	**-**	**3,711,145**
Other liabilities	**120,040**	**-**	**-**	***120,040***	**-**	**-**	**-**	**120,040**
	4,147,686	**1,315,030**	**258,947**	**5,721,663**	**1,205**	**2,470**	**3,675**	**5,725,338**

In thousand Armenian drams								2014
	Less than 1 month	**From 1 to 3 months**	**From 3 to 12 months**	**Subtotal less than 12 months**	**From 1 to 5 years**	**More than 5 years**	**Subtotal over 12 months**	**Total**
Net position	**(3,349,905)**	**(756,332)**	**1,646,904**	**(2,459,333)**	**3,080,744**	**2,429,128**	**5,509,872**	**3,050,539**
Accumulated gap	**(3,349,905)**	**(4,106,237)**	**(2,459,333)**		**621,411**	**3,050,539**		

In thousand Armenian drams								2013
	Less than 1 month	From 1 to 3 months	From 3 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
ASSETS								
Insurance receivables	940,221	346,632	205,621	1,492,474	253,103	-	253,103	1,745,577
Loans to other parties	267	992	1,206	2,465	4,276	-	4,276	6,741
Amounts due from financial institutions	311,623	126,681	657,378	1,095,682	454,429	-	454,429	1,550,111
Reinsurance assets		76,113	-	76,113	-	-	-	76,113
Securities pledged under repurchase agreements	-	19,838	56,385	76,223	3,270,648	478,706	3,749,354	3,825,577
Investments available-for-sale	-	33,542	44,544	78,086	1,498,626	810,556	2,309,182	2,387,268
Cash and cash equivalents	133,492			133,492			-	133,492
	1,385,603	603,798	965,134	2,954,535	5,481,082	1,289,262	6,770,344	9,724,879
LIABILITIES								
Insurance contract liabilities	-	676,956	-	676,956	-	-	-	676,956
Insurance payables	178,017	578,082	-	756,099	-	-	-	756,099
Loans from banks	-	-	1,153,109	1,153,109	-			1,153,109
Loans under repurchase agreements	3,698,671	-	-	3,698,671	-	-	-	3,698,671
Other liabilities	167,421	-	-	167,421	-	-	-	167,421
	4,044,109	1,255,038	1,153,109	6,452,256	-	-	-	6,452,256
Net position	(2,658,506)	(651,240)	(187,975)	(3,497,721)	5,481,082	1,289,262	6,770,344	3,272,623
Accumulated gap	(2,658,506)	(3,309,746)	(3,497,721)		1,983,361	3,272,623		

37 Insurance and financial risk management

The Company's activities expose it to a variety of risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The most important types of risk are insurance risk and financial risk, which includes liquidity risk, market risk and credit risk.

37.1 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases both facultative and obligatory reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on a proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

37.1.1 Insurance contracts

The Company principally issues the following types of general insurance contracts: motor (including passengers and third party liabilities), health, property, general liabilities, cargo, accident insurance and Compulsory Motor Third-Party Liability Insurance. Risks under general insurance policies usually cover twelve month duration.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 10% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

The table below sets out the concentration of insurance contract liabilities by type of contract.

In thousand Armenian drams			**2014**			2013
	Insurance contract liabilities	**Reinsurance assets**	**Net liabilities**	Insurance contract liabilities	Reinsurance assets	Net liabilities
Accident	**70,198**	**(5,246)**	**64,952**	71,510	(9,364)	62,146
Health	**689,374**	**-**	**689,374**	985,739	-	985,739
Motor	**325,692**	**(59,587)**	**266,105**	273,239	(50,199)	223,040

In thousand Armenian drams	2014			2013		
	Insurance contract liabilities	**Reinsurance assets**	**Net liabilities**	Insurance contract liabilities	Reinsurance assets	Net liabilities
Aircraft	**7,478**	**(4,516)**	**2,962**	3,887	(2,691)	1,196
Cargo	**6,332**	**(3,590)**	**2,742**	48,479	(27,027)	21,452
Fire and natural diseases	**854,912**	**(665,065)**	**189,847**	839,887	(641,941)	197,946
Voluntary motor liability	**10,876**	**(3,515)**	**7,361**	9,364	(4,877)	4,487
Aircraft liability	**2,227**	**(1,206)**	**1,021**	1,313	(775)	538
General liability	**142,560**	**(104,714)**	**37,846**	95,446	(66,529)	28,917
Provision of guarantees	**-**	**-**	**-**	94	-	94
Financial losses	**97,461**	**(94,154)**	**3,307**	73,570	(68,409)	5,161
Travel	**96,500**	**(29,826)**	**66,674**	63,728	(32,259)	31,469
CMTPL	**1,528,932**	**-**	**1,528,932**	1,199,990	-	1,199,990
At December 31	**3,832,542**	**(971,419)**	**2,861,123**	3,666,246	(904,071)	2,762,175

The Company sets out the total aggregate exposure that it is prepared to accept in relation to general insurance risk concentrations. It monitors these exposures at the time of underwriting a risk.

The maximum loss, net of reinsurance that the Company accepts on each contract is 10% of total capital, in accordance with the regulations of the Central Bank of Armenia.

Key assumptions

The principal assumption underlying the liability estimates is that the Company’s future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, expected loss rations and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

However, due to relatively new insurance market in Armenia, it difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. For these reasons the Company's management regularly reviews the statistical data, market changes and other factors for a more prudential provisioning.

Sensitivities

The insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non-linear.

In thousand Armenian drams			**2014**
		Effect on profit before tax	
	Change in assumptions in %	**Gross of reinsurance**	**Net of reinsurance**
Average claim cost	**+10**	**(350,026)**	**(327,464)**
	-10	**350,026**	**327,464**
Expected loss ratio	**+10**	**(353,148)**	**(322,072)**
	-10	**353,148**	**322,072**

In thousand Armenian drams			2013
		Effect on profit before tax	
	Change in assumptions in %	Gross of reinsurance	Net of reinsurance
Average claim cost	+10	(382,421)	(371,132)
	-10	382,421	371,132
Expected loss ratio	+10	(398,856)	(388,488)
	-10	398,856	388,488

Claims development table

The following tables show the estimate cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date.

Gross insurance contract liabilities for 2014 are developed as follows:

In thousand Armenian drams	2011	2012	2013	2014	Total
Current estimate of cumulative claims incurred					
At end of accident year	**1,942,166**	**3,633,261**	**3,800,883**	**3,613,282**	**12,989,592**
One year later	**1,950,805**	**3,870,080**	**3,684,982**		**9,505,867**
Two years later	**1,922,691**	**3,887,415**			**5,810,106**
Three years later	**1,925,639**				**1,925,639**
Current estimate of cumulative claims incurred	**1,925,639**	**3,887,415**	**3,684,982**	**3,613,282**	**13,111,318**
Cumulative payments to date					
At end of accident year	**(1,566,395)**	**(3,216,890)**	**(3,149,624)**	**(2,953,271)**	**(10,886,180)**
One year later	**(1,903,302)**	**(3,844,383)**	**(3,656,358)**		**(9,404,043)**
Two years later	**(1,922,691)**	**(3,868,052)**			**(5,790,743)**
Three years later	**(1,925,464)**				**(1,925,464)**
Cumulative payments to date	**(1,925,464)**	**(3,868,052)**	**(3,656,358)**	**(2,953,271)**	**(12,403,145)**
Total gross insurance contract liabilities per the balance sheet	**175**	**19,363**	**28,624**	**660,011**	**708,173**

Insurance contract liabilities for 2014 net of reinsurance:

In thousand Armenian drams	2011	2012	2013	2014	Total
Current estimate of cumulative claims incurred					
At end of accident year	**1,684,613**	**3,509,751**	**3,664,909**	**3,270,827**	**12,130,100**
One year later	**1,766,793**	**3,746,816**	**3,601,447**		**9,115,056**
Two years later	**1,748,964**	**3,760,285**			**5,509,249**
Three years later	**1,735,030**				**1,735,030**
Current estimate of cumulative claims incurred	**1,735,030**	**3,760,285**	**3,601,447**	**3,270,827**	**12,367,589**
Cumulative payments to date					
At end of accident year	**(1,463,832)**	**(3,130,965)**	**(3,085,970)**	**(2,760,945)**	**(10,441,712)**
One year later	**(1,730,057)**	**(3,724,912)**	**(3,580,202)**		**(9,035,170)**
Two years later	**(1,748,964)**	**(3,744,672)**			**(5,493,636)**
Three years later	**(1,734,854)**				**(1,734,854)**
Cumulative payments to date	**(1,734,854)**	**(3,744,672)**	**(3,580,202)**	**(2,760,945)**	**(11,820,673)**
Total net insurance contract liabilities per the balance sheet	**176**	**15,613**	**21,245**	**509,882**	**546,916**

37.2 Credit risk

The Company takes on exposure to credit risk. Key areas where the Company is exposed to credit risk are:

- Debt securities and bank accounts;
- Amounts to from financial institutions;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders;
- Amounts due from insurance intermediaries.

In the further credit risk disclosures the reinsurer's part in provision for unearned premiums is excluded from reinsurance assets, as it is not a financial asset.

37.2.1 Maximum exposure to credit risk

The carrying amounts of the Company's financial assets best represent the maximum exposure to credit risk related to them, without taking account of any collateral held or other credit enhancements.

37.2.2 Risk concentrations of the maximum exposure to credit risk

Ratings

The table below provides information regarding the credit risk exposure of the Company at 31 December 2014 by classifying assets according to credit ratings of the counterparties.

In thousand Armenian drams	A+	AA	AA-	BBB	BBB+	A1	BBB-	A-	Not rated	Total
Insurance receivables	**35,862**	**-**	**-**	**24**	**27,411**	**-**	**-**	**-**	**1,179,259**	**1,242,556**
Loans to other parties	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,515**	**6,515**
Reinsurance assets	**35,484**	**14,709**	**7,254**	**270**	**25,654**	**1,413**	**707**	**29,424**	**46,342**	**161,257**
Amounts due from financial institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,663,173**	**1,663,173**
Securities pledged under repurchase agreements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,016,980**	**4,016,980**
Investments available-for-sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,515,204**	**1,515,204**
Cash and cash equivalents	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**170,192**	**170,192**
As at 31 December 2014	**71,346**	**14,709**	**7,254**	**294**	**53,065**	**1,413**	**707**	**29,424**	**8,597,665**	**8,775,877**
As at 31 December 2013	50,497	628	715	-	25,090	-	-	-	9,647,949	9,724,879

37.2.3 Risk limit control and mitigation policies

The Company has a credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board and are subject to regular reviews. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

37.2.4 Impairment and provisioning policies

The main considerations for the financial assets impairment assessment include whether any payments are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Company addresses impairment assessment into areas: individually assessed allowances and collectively assessed allowances.

Past due but not impaired financial assets
Past due financial assets include those that are only past due by a few days.

As at 31 December 2014 the Company doesn’t have any past due but not impaired financial assets (2013: nil)

Impaired financial assets
At 31 December 2014 there are impaired financial assets of AMD 394,911 thousand (2013: AMD 162,688 thousand).

No collateral is held as security for any past due or impaired assets.

37.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. Market risk comprises three types of risk: interest rate risk and currency risk.

Except for the concentrations within foreign currency, the Company has no significant concentration of market risk.

37.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated periods.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2014 including the effect of hedging instruments. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

In thousand Armenian drams — **2014**

			Sensitivity of equity				
Currency	**Change in basis points**	**Sensitivity of net interest income**	**Up to 6 months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Total**
AMD	**+1**	**(5,250)**	**-**	**-**	**(76,456)**	**(137,162)**	**(218,868)**
AMD	**-1**	**5,250**	**-**	**-**	**73,849**	**125,016**	**204,115**

In thousand Armenian drams							2014
			Sensitivity of equity				
Currency	**Change in basis points**	**Sensitivity of net interest income**	**Up to 6 months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Total**

In thousand Armenian drams						2013
		Sensitivity of equity				
Currency	Change in basis points	Up to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
AMD	+1	(7,000)	(3)	-	(118,713)	(78,009)
AMD	-1	7,000	3	-	123,009	86,406

37.3.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board of Directors has set limits on positions by currency.

The tables below indicate the currencies to which the Company had significant exposure at 31 December 2014 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculated the effect of a reasonably possible movement of the currency rate against the Armenian dram, with all other variables held constant on the statement of comprehensive income (due to the fair value of currency sensitive non-trading monetary assets and liabilities) and equity. A negative amount in the table reflects a potential net reduction in the statement of comprehensive income while a positive amount reflects a net potential increase.

In thousand Armenian drams	2014		2013	
Currency	**Change in currency rate in %**	**Effect on profit before tax**	Change in currency rate in %	Effect on profit before tax
USD	**+5**	**(463)**	+5	(733)
USD	**-5**	**463**	-5	(733)

The Company's exposure to foreign currency exchange risk is as follow:

In thousand Armenian drams	**Armenian Dram**	**Freely convertible currencies**	**Non-freely convertible currencies**	**Total**
ASSETS				
Insurance receivables	**1,242,556**	**-**	**-**	**1,242,556**

In thousand Armenian drams	Armenian Dram	Freely convertible currencies	Non-freely convertible currencies	Total
Loans to other parties	**6,515**	**-**	**-**	**6,515**
Amounts due from other financial institutions	**1,663,173**	**-**	**-**	**1,663,173**
Reinsurance assets	**161,257**	**-**	**-**	**161,257**
Securities pledged under repurchase agreements	**4,016,980**	**-**	**-**	**4,016,980**
Investments available-for-sale	**1,515,204**	**-**	**-**	**1,515,204**
Cash and cash equivalents	**110,658**	**59,534**	**-**	**170,192**
Total assets	**8,716,343**	**59,534**	**-**	**8,775,877**
Liabilities				
Insurance contract liabilities	**708,173**	**-**	**-**	**708,173**
Insurance payables	**599,834**	**59,850**	**-**	**659,684**
Loans from banks	**526,296**	**-**	**-**	**526,296**
Loans under repurchase agreements	**3,711,145**	**-**	**-**	**3,711,145**
Other liabilities	**111,104**	**8,936**	**-**	**120,040**
Total liabilities	**5,656,552**	**68,786**	**-**	**5,725,338**
Net position as at 31 December 2014	**3,059,791**	**(9,252)**	**-**	**3,050,539**
Total financial assets	9,673,465	51,414	-	9,724,879
Total financial liabilities	6,386,176	66,080	-	6,452,256
Net position as at 31 December 2013	3,287,289	(14,666)	-	3,272,623

Freely convertible currencies represent mainly US dollar amounts, but also include currencies from other OECD countries. Non-freely convertible amounts relate to currencies of CIS countries, excluding Republic of Armenia. The reinsurer's part in provision for unearned premiums is excluded from reinsurance assets, as it is not a financial asset.

37.4 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily bases. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Company.

The liquidity management of the Company requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Company calculates the liquidity ratio in accordance with the requirement of the Central Bank of Armenia.

The Company has taken advantage of point d (i) of the paragraph 39 of IFRS 4, by disclosing the information on estimated timing of net undiscounted cash flows from insurance liabilities as of 31 December 2014, instead of the disclosure of maturities required by point a) of 39 paragraph of IFRS 7. See note 36 for the expected maturities of these liabilities.

In thousand Armenian drams	Carrying amount	Estimated net undiscounted cash flow		
		Up to 1 year	More than 1 year	Total
As at 31 December 2014				
Insurance liabilities	**708,173**	**708,173**	**-**	**708,173**
Total	**708,173**	**708,173**	**-**	**708,173**
As at 31 December 2013				
Insurance liabilities	676,956	676,956	-	676,956
Total	676,956	676,956	-	676,956

37.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements, including the minimal requirements of the Central Bank of Armenia on internal control system;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the Company to which they relate, with summaries submitted to the Board.

38 Capital adequacy

The Company maintains an actively managed capital base to cover risks inherent in the business. The Company's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Armenia in supervising the Company.

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings including current year profit, and general reserve. Regulatory capital is calculated in accordance with the requirements of the Central Bank of Armenia. The other component of regulatory capital is Tier 2 capital, which includes revaluation reserves.

The minimum ratio between total capital, required solvency and risk weighted assets required by the Central Bank of Armenia is 100%.

Through the period the Company has breached for several times some of the capital adequacy requirements. However as at the year end the Company has complied with all externally imposed capital requirements.

The Company's total capital, risk weighted assets and required solvency amounts as of December 31 2014 and 2013, calculated in accordance with the CBA requirements, are presented below:

In thousand Armenian drams	**2014 (non audited)**	2013 (non audited)
Tier 1 capital	**2,904,886**	2,385,722
Tier 2 capital	**(227,075)**	444,392
Total regulatory capital	**2,677,811**	2,830,114
Risk-weighted assets	**1,373,525**	745,395
Required solvency	**779,474**	1,491,306
Capital equivalent norm (regulatory norm N1.2)	**124%**	127%

The Central Bank of Armenia has set the minimal required total capital at AMD 1,500,000 thousand from January 1, 2014.