

Sirius Capital CJSC

**Financial Statements
for the period from 25 July 2023 (date of incorporation)
to 31 December 2023**

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Independent Auditors' Report

To the Shareholder of Sirius Capital CJSC

Opinion

We have audited the financial statements of Sirius Capital CJSC (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 25 July 2023 (date of incorporation) to 31 December 2023, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash for the period from 25 July 2023 (date of incorporation) to 31 December 2023 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards (IFRS Accounting Standards).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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


Irina Gevorgyan
Managing Partner, Director of KPMG Armenia LLC

KPMG Armenia LLC
6 August 2024



Sirius Capital CJSC
Statement of Profit or Loss and Other Comprehensive Income
for the period from 25 July 2023 (date of incorporation) to 31 December 2023

AMD'000	Note	25 July 2023 (date of incorporation) to 31 December 2023
Interest income calculated using effective interest rate	4	13,794
Interest expense	5	(9,934)
Net interest income		3,860
Fee and commission income		680
Fee and commission expense		(809)
Net commission expense		(129)
Net gain on financial instruments at fair value through profit or loss	6	13,570
Net foreign exchange gain	7	13,413
Other operating income		45
Operating income		30,759
Personnel expenses	8	(6,765)
Depreciation and amortisation		(2,221)
Other general administrative expenses	9	(4,561)
Profit before income tax		17,212
Income tax expense		(840)
Profit for the period		16,372

The financial statements as set out on pages 5 to 27 were approved by management on 6 August 2024 and were signed on its behalf by:



Ararat Mkrtchyan
Director



Argam Abrahamyan
Authorised representative of StepUp LLC

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

Sirius Capital CJSC
Statement of Financial Position as at 31 December 2023

AMD'000	Note	31 December 2023
Assets		
Cash and cash equivalents		1,537
Trade and other receivables	10	15,610
Financial assets at fair value through profit or loss	11	651,352
Property and equipment		459
Right of use asset	12	14,124
Total assets		683,082
Liabilities		
Amounts payable under repurchase agreements	13	307,969
Borrowings	14	15,476
Deferred tax liabilities		840
Lease liability	12	13,189
Other liabilities		1,236
Total liabilities		338,710
Equity		
Share capital	16	328,000
Retained earnings		16,372
Total equity		344,372
Total liabilities and equity		683,082

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

Sirius Capital CJSC

Statement of Changes in Equity for the period from 25 July 2023 (date of incorporation) to 31 December 2023

AMD'000	Share capital	Retained earnings	Total
Balance as at 25 July 2023	-	-	-
Total comprehensive income			
Profit for the period	-	16,372	16,372
Total comprehensive income for the period	-	16,372	16,372
Transactions with owners of the Company			
Issue of ordinary shares	328,000	-	328,000
Total transactions with owners	328,000	-	328,000
Balance as at 31 December 2023	328,000	16,372	344,372

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

Sirius Capital CJSC

Statement of Cash Flows for the period from 25 July 2023 (date of incorporation) to 31 December 2023

AMD'000	Note	25 July 2023 (date of incorporation) to 31 December 2023
Cash flow from operating activities		
Interest receipts		14,954
Interest payments		(9,374)
Commissions paid		(201)
Net cash flows from foreign currency trading operations		(1,759)
Paid salary and other equivalent payments		(5,664)
Net payment to clients' brokerage account on their behalf		(14,977)
Other payments		(6,372)
Proceeds from repo agreements	15	307,446
Acquisition of investment securities measured at fair value through profit or loss		(637,988)
Net cash used in operating activities		(353,935)
 Cash flows from investing activities		
Acquisition of PPE and intangible assets		(713)
Net cash used in investing activities		(713)
 Cash flows from financing activities		
Proceeds from the issue of share capital		328,000
Proceeds from borrowings	15	15,476
Payment of lease liability	15	(3,005)
Net cash from financing activities		340,471
 Net decrease in cash and cash equivalents		(14,177)
Effect of exchange rate fluctuations on cash and cash equivalents		15,714
Cash and cash equivalents as at 25 July		-
Cash and cash equivalents as at 31 December		1,537

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

1 Background

(a) Company and operations

Sirius Capital CJSC (the “Company”) was registered by the Central Bank of the Republic of Armenia on 25 July 2023 under registration number 27.

The Company operates in accordance with the Constitution of the Republic of Armenia, the Civil Code of the Republic of Armenia, international treaties of the Republic of Armenia, other legal acts, and its charter.

The Company’s registered address is 26/1 Vazgen Sargsyan Street, area 812, Yerevan 0010, Republic of Armenia.

The Company provides its clients with the following main investments services:

- acceptance and transfer of orders of clients for the execution of transactions in securities,
- execution of transactions in securities on its own behalf or on behalf of the client and to the client’s account,
- provision of consultations to clients related to investments in securities,
- management of the portfolio of securities,
- execution of non-guaranteed allocation of securities.

The number of employees of the Company as at 31 December 2023 was 6.

During the fiscal year 2023 the sole shareholder of the company is Beta FT LLC, with 100% shareholding (32,800 number of shares). The Company is ultimately controlled by a single individual, Ararat Mkrtchyan.

Related party transactions are detailed in Note 20.

(b) Armenian business environment

The Company’s operations are primarily located in Armenia. Consequently, the Company is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia.

Additionally, the breakout of armed conflict in Nagorno-Karabakh in September 2020 followed by cease-fire arrangement over disputed Nagorno-Karabakh territories has led to a social unrest in Armenia. In spite of the existence of the cease fire arrangement, the military forces of Armenia and Azerbaijan have been engaged in border conflict, which has also increased the level of uncertainty in the business environment. In September 2023 the Azerbaijani forces started a new military operation leading to the fleeing of the Nagorno-Karabakh population to Armenia and leaving Azerbaijan in effective control of the territory.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries-imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

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

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

(b) Basis of measurement

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

(c) Functional and presentation currency

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

All financial information presented in AMD has been rounded to the nearest thousands, except when otherwise indicated.

The AMD is also the presentation currency for the purposes of these financial statements. The official CBA exchange rates are as follows:

in AMD	Average exchange rate for the period from 25 July 2023 (date of incorporation) to 31 December 2023	Exchange rate as at 31 December 2023
USD	396.4	404.79
EUR	427.7	447.9

(d) Use of estimates and judgments

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in Note 11 – estimates of fair values of financial assets measured at fair value through profit or loss.

3 Material accounting policies

The accounting policies set out below are applied consistently to the period presented in the following financial statement.

(a) Foreign currency

Transactions in foreign currencies are translated to the AMD at exchange rates at the dates of the transactions.

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Cash and cash equivalents

Cash and cash equivalents include current account balances in banks, claims on banks and other financial institutions.

(c) Interest

Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset;
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortized cost and gross carrying amount

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference

between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' measured at amortized cost is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

- interest on financial assets measured at amortised cost;
- interest on financial assets at FVTPL.

Interest expense presented in the statement of profit or loss and other comprehensive income includes financial liabilities measured at amortised cost and lease liabilities.

(d) Financial assets and financial liabilities

(i) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest, foreign exchange and revaluation are recognised in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

The Company classifies its financial liabilities as measured at amortized cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial liabilities are not reclassified subsequent to their initial recognition.

(ii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability.

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

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Fair value measurement

“Fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value on an instrument using the quoted price in an active market for that instrument. A market is regarded as “active” if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at a mid-price, because this price provides a reasonable approximation of the exit price.

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

(e) Repurchase agreements

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

(f) Lease

As a lessee, the Company recognizes the right to use the asset and the lease liability at the time of initial recognition of the lease agreement, except for low-value and short-term leases – the exceptions provided for in IFRS 16.

At the date of initial recognition, the Company measures the right-of-use asset at cost, including below mentioned elements:

- the cost of the initial recognition of the lease liability,
- the lease payments made prior to the recognition date, minus the effect of the incentive terms obtained by the lease line,
- initial direct costs incurred,
- an estimate of the cost to restore or dismantle the leased asset.

At the date of initial recognition, the Company measures the lease liability as the present value of the lease payments payable at that date. Lease payments are discounted at the rate assumed by the lease.

The Company leases office space. The leases of office space typically run for a period of 2-3 years.

(g) Short-term employee benefits

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

(h) Share capital

Ordinary shares

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

(i) Taxation

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

(i) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority.

(j) Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

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

- Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Lack of Exchangeability (Amendments to IAS 21)

4 Interest income calculated using effective interest rate

	25 July 2023 (date of incorporation) to 31 December 2023
AMD'000	
Interest income on securities	13,261
Interest income on bank accounts	533
	13,794

5 Interest expense

	25 July 2023 (date of incorporation) to 31 December 2023
AMD'000	
Interest expense from repo agreement	9,351
Interest expense on lease liability	583
	9,934

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

Net gain on financial instruments at fair value through profit or loss represents the difference between the transaction price of financial assets purchased in the reporting period and its fair value at the end of the reporting period.

7 Net foreign exchange gain

	25 July 2023 (date of incorporation) to 31 December 2023
AMD'000	
Net gain from revaluation of cash and cash equivalent	15,714
Net gain from revaluation of securities	2,068
Net loss from conversion of foreign currency	(1,827)
Net loss from revaluation of other financial assets and liabilities	(2,542)
	13,413

8 Personnel expenses

	25 July 2023 (date of incorporation) to 31 December 2023
AMD'000	
Compensation of employees, related taxes included	6,347
Vacation reserve	418
	6,765

9 General and other administrative expenses

	25 July 2023 (date of incorporation) to 31 December 2023
AMD'000	
Professional services	3,781
Taxes other than on income	336
Communication, marketing and related services	235
Other	209
	4,561

10 Trade and other receivables

	25 July 2023 (date of incorporation) to 31 December 2023
AMD'000	
Receivables from clients	14,977
Other receivables	633
	15,610

11 Financial assets at fair value through profit or loss

	25 July 2023 (date of incorporation) to 31 December 2023
AMD'000	
Government securities of the Republic of Armenia	<u>651,352</u>

Investment securities with the carrying amount of AMD 316,445 thousand are pledged against repurchase agreement (Note 13).

No financial assets at fair value through profit or loss are past due. The Company's exposure to currency and credit risks is disclosed in Note 18.

12 Right of use asset and lease liability

(a) Leases as lessee

The Company leases office building. The lease contract is for ten years. The management estimates that the effective lease term aligns with the contract term.

(i) *Right-of-use assets*

	25 July 2023 (date of incorporation) to 31 December 2023
AMD'000	
Balance at 25 July	-
Additions to right-of-use assets	16,157
Depreciation charge for the period	(2,033)
Balance at 31 December	<u>14,124</u>

(ii) *Amounts recognised in profit or loss*

	25 July 2023 (date of incorporation) to 31 December 2023
AMD'000	
Interest on lease liabilities	583
Depreciation expense	<u>2,033</u>

(iii) *Amounts recognised in statement of cash flows*

	25 July 2023 (date of incorporation) to 31 December 2023
AMD'000	
Payments of lease liabilities	3,005
Interest paid	546
Total cash outflow for leases	<u>3,551</u>

(iv) Lease liabilities

AMD'000	2023
Balance at 25 July	-
Addition	16,157
Interest expense	583
Lease payments	(3,551)
Balance at 31 December	13,189

13 Amounts payable under repurchase agreements

AMD'000	25 July 2023 (date of incorporation) to 31 December 2023
Principal amounts payable on repurchase agreements	307,446
Interest payable on repurchase agreements	523
	307,969

As at 31 December 2023 the Company's payable under repurchase agreements is to a single bank in the Republic of Armenia.

14 Borrowings

The borrowing balance represents unsecured borrowing received from the shareholder at 0% interest rate and with maturity date 9 October 2026.

15 Reconciliation of movements of liabilities to cash flows arising from financing activities

AMD'000	Amounts payable under repurchase agreements	Borrowings	Lease liability
Balance at 25 July 2023	-	-	-
Changes from financing cash flows			
Receipt	4,689,414	15,476	-
Repayments	(4,381,968)	-	(3,005)
Total changes from financing cash flows	307,446	15,476	(3,005)
Other changes			
Addition to lease liability	-	-	16,157
Interest expense	9,351	-	583
Interest paid	(8,828)	-	(546)
Balance at 31 December 2023	307,969	15,476	13,189

16 Share capital

(a) Issued capital

As at 31 December 2023 the authorized, issued and outstanding share capital comprises 32,800 ordinary shares with the nominal value of 10,000. All shares are fully paid.

(b) Dividends

The Company's distributable reserves are determined based on the Company's financial statements prepared in accordance with International Financial Reporting Standards.

As at the end of the reporting period the Company has not declared dividend.

17 Risk management

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

(a) Risk management policies and procedures

The risk management policies aim to identify, analyze and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

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

The management is also responsible for monitoring and implementing risk mitigation measures and ensuring that the Company operates within established risk parameters.

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

(b) Market risk

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

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

(i) Interest rate risk

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

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows as at 31 December 2023:

AMD'000	Average effective interest rates	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non- interest bearing	Carrying amount
ASSETS								
Cash and cash equivalents		-	-	-	-	-	1,537	1,537
Trade and other receivables		-	-	-	-	-	15,610	15,610
Financial assets at FVTPL	9.28%	-	7,563	-	308,883	334,906	-	651,352
		<u>-</u>	<u>7,563</u>	<u>-</u>	<u>308,883</u>	<u>334,906</u>	<u>17,147</u>	<u>668,499</u>
LIABILITIES								
Amounts payable under repurchase agreement	10.35%	(307,969)	-	-	-	-	-	(307,969)
Borrowings received	0%	-	-	-	-	-	(15,476)	(15,476)
		<u>(307,969)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,476)</u>	<u>(323,445)</u>
		<u>(307,969)</u>	<u>7,563</u>	<u>-</u>	<u>308,883</u>	<u>334,906</u>	<u>1,671</u>	<u>345,054</u>

As at 31 December 2023 the Company was not significantly imposed to interest rate risk.

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities as at 31 December 2023, is as follows:

	2023 AMD'000
100 bp parallel rise	(2,525)
100 bp parallel fall	2,525

(ii) Currency risk

The Company has assets and liabilities denominated in USD. Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The following tables shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2023.

	USD AMD'000	Total AMD'000
31 December 2023		
ASSETS		
Cash and cash equivalents	1,116	1,116
Financial assets at FVTPL	334,906	334,906
Total assets	336,022	336,022
LIABILITIES		
Total liabilities	-	-
Net position	336,022	336,022

A weakening of the AMD, as indicated below, against the USD at 31 December 2023, would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis is on net of tax basis, and is based on foreign currency exchange rate variances that the Company considers to be reasonably possible at the end of the reporting period. The income (expense) from variance in foreign currency exchange rates is non-taxable (non-deductible). The analysis assumes that all other variables, in particular interest rates, remain constant.

	2023 AMD'000
10% appreciation of USD against AMD	33,602

A strengthening of the AMD against the USD at 31 December 2023 would have had the equal but opposite effect on the USD to the amounts shown above, on the basis that all other variables remained constant.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty of a financial instrument fails to meet its contractual obligations. Financial assets, which are potentially subject to concentrations of credit risk, consist principally of financial assets measured at fair value through profit or loss, bank balances and receivables. Although collection of financial assets measured at fair value through profit or loss, bank balances and receivables could be influenced by economic factors, management believes that no counterparty will fail to meet its obligations and the Company is, accordingly, not significantly exposed to credit risk. Bank balances are maintained with reputable Armenian banks, and the Company does not expect any counterparty to fail to meet its obligations.

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

The portfolios for which external benchmark information represents a significant input into measurement of ECL which also represents the maximum exposure to credit risk from financial assets at the reporting date is as follows:

AMD'000	Exposure 31 December 2023	External benchmarks used	
		PD	PD
Cash and cash equivalents	1,537	Moody's ratings	Moody's recovery studies
Trade and other receivables	15,610	Moody's ratings	Moody's recovery studies
Total maximum exposure	17,147		

(d) Liquidity risk

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

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments and exclude the impact of netting agreements.

The liquidity analysis for financial liabilities as at 31 December 2023 is as follows:

AMD'000	On demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	Total gross amount outflow	Carrying amount
31 December 2023					
Amounts payable under repurchase agreements	308,318	-	-	308,318	307,969
Borrowings	-	-	15,476	15,476	15,476
Lease liability	-	8,446	8,323	16,768	13,189
Other liabilities	1,236	-	-	1,236	1,236
	309,554	8,446	23,799	341,798	337,870

The table below shows an analysis, by expected maturities, of amounts recognized in the statement of financial position as at 31 December 2023:

AMD'000	Demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
ASSETS						
Cash and cash equivalents	1,537	-	-	-	-	1,537
Trade and other receivables	15,610	-	-	-	-	15,610
Investment securities at FVTPL	-	7,563	308,883	334,906	-	651,355
Property and equipment	-	-	-	-	459	459
Right of use asset	-	-	-	-	14,124	14,124
Total assets	17,147	7,563	308,883	334,906	14,583	683,082
LIABILITIES						
Amounts payable under repurchase agreements	307,969	-	-	-	-	307,969
Borrowings	-	-	15,476	-	-	15,476
Lease liability	-	6,000	7,189	-	-	13,189
Deferred tax liability	-	-	-	-	840	840
Other liabilities	1,236	-	-	-	-	1,236
Total liabilities	309,205	6,000	22,665	-	840	338,710
Net position	(292,058)	1,563	286,218	334,906	13,743	334,372

(e) Capital management

The Company has no formal policy for capital management, but management seeks to maintain a sufficient capital base for meeting the Company's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of the Company's investment portfolio mainly financed by the Company's operating cash flows and loans and borrowings. With these measures the Company aims for steady profits growth.

According to the CBA regulation the minimum size of the total regulatory capital of the Company should not be less than AMD 1,000 thousand and total equity not less than AMD 300,000 thousand. The Company is in compliance with minimum capital requirement.

18 Contingencies

(a) Insurance

The insurance industry in Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for its assets, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Company property or relating to Company operations.

(b) Litigations

The Company does not have litigations that may have a material effect on the Company's results of operations or financial position.

(c) Taxation contingencies

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

Transfer pricing legislation enacted in the Republic of Armenia starting from 1 January 2020. The legislation is effective for the financial year 2020 and onwards. The local transfer pricing rules are closer to OECD guidelines, but with uncertainty in practical application of tax legislation in certain circumstances.

Transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

Transfer pricing rules apply to the transactions listed below, if the total amount of the controlled transaction exceeds AMD 200 million in the tax year:

- cross-border transactions between related parties;
- cross-border transactions with companies registered in offshore zones, regardless of being related party or not;
- certain in-country transactions between related parties, as determined under the Armenian Tax Code.

Since there is no practice of applying the transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these financial statements.

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

19 Related party transactions

(a) Control relationships

The Company's sole shareholder for the period from 25 July 2023 to 31 December 2023 is Beta FT LLC.

(b) Transactions with the related parties

The outstanding balances and average effective interest rates as at 31 December 2023 for transactions with the related parties:

	31 December 2023 AMD'000	Average effective interest rate, %
Statement of financial position		
Borrowings from sole shareholder	(15,476)	0%
Receivable from ultimate controlling party	14,977	-

The borrowings given are interest free, in AMD and is repayable in 2024.

(c) Transactions with key management

Total remuneration of key management included in personnel expenses is as follows:

AMD'000	25 July 2023 (date of incorporation) to 31 December 2023
Short-term employee benefits	626

20 Financial assets and liabilities: fair values and accounting classifications

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

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

As at 31 December 2023 fair values for financial instruments such as short-term trade and other receivables, borrowings and amounts payable under repurchase agreements because their carrying amounts are a reasonable approximation of fair values. The Company used discounted cash flow techniques for the determination of the fair values of such instruments.

The table below analyses financial instruments carried at fair value as at 31 December 2023, by level of fair value hierarchy. The amounts are based on the values recognised in the statement of financial position.

AMD'000	Level 1	Level 2	Level 3	Total
Investment securities at FVTPL	-	651,352	-	651,352
Total carrying amount	-	651,352	-	651,352

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.