

**Balchug Capital CJSC**

**Financial Statements  
for the years ended 31 December 2020,  
31 December 2021 and 31 December 2022**

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# Independent Auditors' Report

## To the Shareholders of Balchug Capital CJSC

### Opinion

We have audited the financial statements of Balchug Capital CJSC (the "Company"), which comprise the statements of financial position as at 31 December 2022, 31 December 2021, 31 December 2020 and 1 January 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years ended 31 December 2022, 31 December 2021 and 31 December 2020, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, 31 December 2021, 31 December 2020 and 1 January 2020, and its financial performance and its cash flows for the years ended 31 December 2022, 31 December 2021 and 31 December 2020 in accordance with IFRS Standards as issued by the International Accounting Standards (IFRS 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 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:

  
Davit Shamshyan  
Engagement Partner

  
Irina Gevorgyan  
Managing Partner  
Director of KPMG Armenia LLC


  
KPMG Armenia LLC  
16 October 2023




**Balchug Capital CJSC**  
*Statements of Profit or Loss and Other Comprehensive Income for the years ended 31 December 2020,  
 31 December 2021 and 31 December 2022*

	Notes	2022 AMD'000	2021 AMD'000	2020 AMD'000
Income from management fees	4	143,402	353,410	968,040
Interest income		7,914	-	-
Net foreign exchange gains/(losses)	5	13,334,133	(8,368)	1,110
Net losses from financial assets measured at fair value through profit or loss	10	(2,966,981)	-	-
Interest expense	15	(5,794,461)	-	-
Fee and commission expenses		(684,783)	-	-
General and administrative expenses	6	(1,013,753)	(290,127)	(74,742)
Other expenses	7	(101,648)	(192,264)	(654,558)
<b>Profit/(loss) before income tax</b>		<b>2,923,823</b>	<b>(137,349)</b>	<b>239,850</b>
Income tax expense	8	(88,078)	-	(53,343)
<b>Profit/(loss) and total comprehensive income/(loss) for the year</b>		<b>2,835,745</b>	<b>(137,349)</b>	<b>186,507</b>

The financial statements as set out on pages 5 to 46 were approved by management on 16 October 2023 and were signed on its behalf by:

  
 Davit Amaryan  
 Chief Executive Director



  
 Hovsep Hovsepyan  
 Authorised representative of  
 AN Audit CJSC

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

**Balchug Capital CJSC**  
*Statements of Financial Position as at 31 December 2020, 31 December 2021 and 31 December 2022*

	Notes	31 December 2022 AMD'000	31 December 2021 AMD'000	31 December 2020 AMD'000	1 January 2020 AMD'000
<b>ASSETS</b>					
Cash and cash equivalents	9	4,674,839	4,700	11,585	4,700
Trade and other receivables	11	536,128	45,570	794,689	248,273
Prepayments given	12	57,003,389	22,579	25,995	8,475
Deposits in banks	13	15,204,072	-	-	-
Financial assets at fair value through profit or loss	10	36,055,276	-	-	-
Borrowings given		669,632	-	-	-
Property and equipment	14	106,768	122,216	493	-
<b>Total assets</b>		<b>114,250,104</b>	<b>195,065</b>	<b>832,762</b>	<b>261,448</b>
<b>LIABILITIES</b>					
Loans and borrowings	15	110,912,800	1,435	488	176
Deferred tax liabilities	8	88,078	-	-	-
Trade and other payables	16	314,740	94,889	596,184	211,689
<b>Total liabilities</b>		<b>111,315,618</b>	<b>96,324</b>	<b>596,672</b>	<b>211,865</b>
<b>EQUITY</b>					
Share capital	17	20	20	20	20
Retained earnings		2,934,466	98,721	236,070	49,563
<b>Total equity</b>		<b>2,934,486</b>	<b>98,741</b>	<b>236,090</b>	<b>49,583</b>
<b>Total liabilities and equity</b>		<b>114,250,104</b>	<b>195,065</b>	<b>832,762</b>	<b>261,448</b>

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

<b>AMD'000</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
Balance as at 1 January 2020	20	49,563	49,583
<b>Total comprehensive income</b>			
Profit for the year	-	186,507	186,507
<b>Total comprehensive income for the year</b>	-	<b>186,507</b>	<b>186,507</b>
<b>Balance as at 31 December 2020</b>	<b>20</b>	<b>236,070</b>	<b>236,090</b>
Balance as at 1 January 2021	20	236,070	236,090
<b>Total comprehensive loss</b>			
Loss for the year	-	(137,349)	(137,349)
<b>Total comprehensive loss for the year</b>	-	<b>(137,349)</b>	<b>(137,349)</b>
<b>Balance as at 31 December 2021</b>	<b>20</b>	<b>98,721</b>	<b>98,741</b>
Balance as at 1 January 2022	20	98,721	98,741
<b>Total comprehensive income</b>			
Profit for the year	-	2,835,745	2,835,745
<b>Total comprehensive income for the year</b>	-	<b>2,835,745</b>	<b>2,835,745</b>
<b>Balance as at 31 December 2022</b>	<b>20</b>	<b>2,934,466</b>	<b>2,934,486</b>

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

	2022 AMD'000	2021 AMD'000	2020 AMD'000
<b>Cash flows from operating activities</b>			
<b>Profit/(loss) for the year</b>	<b>2,835,745</b>	<b>(137,349)</b>	<b>186,507</b>
<i>Adjustments to reconcile (loss)/profit for the year to net cash flows</i>			
Depreciation and amortisation	14,215	13,943	373
Loss from disposals and write-off of property and equipment	7,870	-	-
Net (gain)/loss from foreign exchange revaluation	(16,646,266)	5,934	(4,112)
Interest expense	5,794,461	-	-
Income tax expense	88,078	-	53,343
<i>Changes in:</i>			
Trade and other receivables	(388,369)	687,588	(544,291)
Prepayments given	(3,475)	2,765	(20,776)
Financial assets at fair value through profit or loss	(37,090,773)	-	-
Trade and other payables	306,747	(388,275)	328,278
<b>Cash flow (used in)/from operations before income taxes and interest received</b>	<b>(45,081,767)</b>	<b>184,606</b>	<b>(678)</b>
Income tax paid	-	(53,943)	-
Interest received	1,035,497	-	-
<b>Net cash flows (used in)/from operating activities</b>	<b>(44,046,270)</b>	<b>130,663</b>	<b>(678)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, equipment and intangible assets	(22,835)	(135,666)	(866)
Proceeds from sale of property and equipment	16,198	-	-
Placement of bank deposits	(61,375,366)	-	-
Proceeds from bank deposits	46,303,150	-	-
Prepayments given for purchase of financial assets	(56,977,336)	-	-
Borrowings given	(726,317)	-	-
Proceeds from borrowings given	47,720	-	-
<b>Net cash flows used in investing activities</b>	<b>(72,734,786)</b>	<b>(135,666)</b>	<b>(866)</b>
<b>Cash flows from financing activities</b>			
Loans received	176,498,778	947	312
Loans repaid	(51,736,533)	-	-
Interest paid	(2,294,879)	-	-
<b>Net cash flows from financing activities</b>	<b>122,467,366</b>	<b>947</b>	<b>312</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,686,310</b>	<b>(4,056)</b>	<b>(1,232)</b>
Cash and cash equivalents at the beginning of the year	4,700	11,585	4,700
Effect of exchange rate changes on cash and cash equivalents	(1,016,171)	(2,829)	8,117
<b>Cash and cash equivalents at the end of the year</b>	<b>4,674,839</b>	<b>4,700</b>	<b>11,585</b>

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