Gazelle Finance Universal

Credit Organization LLC

Financial statements

For the year ended 31 December 2024
together with independent auditor's report

Contents

Independent auditor's report

Financial statements

Notes to the financial statements

Ernst & Young CJSC
Vazgen Sargsyan St., 2 Building,
Yerevan, 0010 Armenia,
Kamar Business Center
Tel: +374 60 50 7777
www.ey.com/am

«Էրնսթ ընդ Յանգ» ՓԲԸ
ՀՀ, ք. Երևան, 0010,
Վազգեն Սարգսյան փող., 2 շենք
«Կամար» Բիզնես Կենտրոն
Հեռ.՝ +374 60 50 7777

Independent auditor's report

To the Sole Participant and Board of Directors of Gazelle Finance Universal Credit Organization LLC

Opinion

We have audited the financial statements of Gazelle Finance Universal Credit Organization LLC (hereinafter, the "Company"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) 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 the Board of Directors for the financial statements

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

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

The Board of Directors are responsible for overseeing the Company's financial reporting process.

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Auditor's responsibilities for the audit of the financial statements

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

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

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

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We communicate with the Board of Directors 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.

Ernst & Young CJSC
Yerevan, Armenia

General Director Eric Hayrapetyan

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«ERNST & YOUNG»
00057741

Partner (Assurance) Dmytro Iurgelevych

30 June 2025

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2024

	Notes	2024 AMD'000	2023 AMD'000
Interest income calculated using the effective interest rate	4	228,135	270,964
Other interest income	4	41,876	130,489
Interest expense	11	(128,414)	(271,211)
Net interest income		**141,597**	**130,242**
Net changes in fair value of portfolio investments at fair value through profit or loss	16	(440,580)	(327,042)
Net foreign exchange losses		(476)	(116)
Operating loss		**(299,459)**	**(196,916)**
Net impairment losses on financial instruments at amortized cost	9	(212,307)	(346)
Operating loss after impairment		**(511,766)**	**(197,262)**
Personnel expenses		(67,853)	(79,405)
General and administrative expenses	5	(53,600)	(110,115)
Impairment of prepayments and advances		27	38
Gain from derecognition of financial liabilities		–	271,558
Loss before income tax		**(633,192)**	**(115,186)**
Income tax		–	–
Net loss for the year		**(633,192)**	**(115,186)**
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods			
Foreign currency differences for translation to presentation currency		(3,654)	36,144
Total other comprehensive (loss)/income for the year		**(3,654)**	**36,144**
Total comprehensive loss for the year		**(636,846)**	**(79,042)**

The financial statements as set out on pages 1 to 27 were approved by management on 30 June 2025 and were signed on its behalf by:

Artur Hayrapetyan
Executive Director

Vahe Grigoryan
Chief Accountant

30 June 2025

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.

Statement of Financial Position

As at 31 December 2024

	Notes	*2024 AMD'000*	*2023 AMD'000*
Assets			
Cash and cash equivalents	6	461,911	445,306
Amounts due from credit institutions	7	101,484	–
Portfolio investments at fair value through profit or loss	8	140,669	585,057
Portfolio investments at amortized cost	9	972,690	1,564,995
Other assets		16,857	11,985
Equipment and intangible assets		2,402	4,677
Total assets		**1,696,013**	**2,612,020**
Liabilities			
Borrowings	11	572,180	851,889
Other payables		15,388	14,840
Total liabilities		**587,568**	**866,729**
Equity			
Charter capital		3,688,690	3,688,690
Additional paid−in capital		618,191	618,191
Accumulated losses		(3,120,072)	(2,486,879)
Foreign currency translation reserves		(78,364)	(74,711)
Total equity		**1,108,445**	**1,745,291**
Total equity and liabilities		**1,696,013**	**2,612,020**

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

Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 AMD'000	2023 AMD'000
Cash flows from operating activities			
Interest receipts		194,078	248,158
Personnel expenses and other general administrative expenses payments		(118,434)	(190,108)
(Increase)/decrease in operating assets			
Portfolio investments		451,623	(272,837)
Amounts due from credit institutions		(100,000)	–
Prepayments and advances		(5,037)	(5,316)
Other assets		(166)	(17)
Cash flows from (used in) operations		**422,064**	**(220,120)**
Cash flows from financing activities			
Repayment of borrowings	11	(373,194)	(388,400)
Cash flows used in financing activities		**(373,194)**	**(388,400)**
Net increase/(decrease) in cash and cash equivalents		**48,870**	**(608,520)**
Cash and cash equivalents at 1 January		445,306	1,049,013
Effect of exchange rate fluctuations on cash and cash equivalents		(32,265)	4,813
Cash and cash equivalents at 31 December	6	**461,911**	**445,306**

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

Statement of Changes in Equity

For the year ended 31 December 2024

'000 AMD	*Notes*	*Charter capital*	*Additional paid−in capital*	*Accumulated losses*	*Foreign currency translation reserves*	*Total equity*
Balance at 31 December 2022		**3,688,690**	**34,045**	**(2,371,694)**	**(110,854)**	**1,240,187**
Transactions with owners, recorded directly in equity						
Contribution to charter capital	10	−	584,146	−	−	**584,146**
Total transactions with owners			**584,146**			**584,146**
Loss for the year		−	−	(115,186)	−	**(115,186)**
Foreign currency differences for translation to presentation currency		−	−	−	36,144	**36,144**
Total comprehensive loss for the year		−	−	(115,186)	36,144	**(79,042)**
Balance at 31 December 2023		**3,688,690**	**618,191**	**(2,486,879)**	**(74,711)**	**1,745,291**
Loss for the year		−	−	(633,192)	−	(633,192)
Foreign currency differences for translation to presentation currency		−	−	−	(3,654)	(3,654)
Total comprehensive loss for the year		**3,688,690**	**618,191**	**(3,120,072)**	**(78,364)**	**1,108,445**
Balance at 31 December 2024		**3,688,690**	**618,191**	**(3,120,072)**	**(78,364)**	**1,108,445**

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

1. Background

(a) Organization and operations

Gazelle Finance Universal Credit Organization LLC (the “Organization”) was established in the Republic of Armenia as a limited liability company in 2018. Its principal activity is provision of borrowings to corporate customers. The activities of the Organization are regulated by the Central Bank of Armenia (the CBA). The Organization has received a credit organization license on 20 July 2018.

The Organization’s registered office is 105/1 Teryan Street, Yerevan 0002, Republic of Armenia.

The Organization is wholly owned by Gazelle Finance Holding Coöperatief U.A. The ultimate parent company of the Organization is Gazelle Fund LP, limited partnership formed in Ontario, Canada.

(b) Armenian business environment

The Organization’s operations are located in Armenia. Consequently, the Organization is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. Armenia continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

During 2024 the Organization operated in an environment of a stronger than expected growth in economic activity and aggregate demand after already significant recovery of prior years. Despite the outbreaks of hostilities with neighboring Azerbaijan during the year, including the ethnical cleansing of Armenian populated Nagorno Karabakh and influx of significant number of refugees, the war in Ukraine and followed logistic bottlenecks, Armenian economy was strongly boosted thanks to the large inflow of middle−class Russian speaking immigrants. As a result, economic growth in 2024 in Armenia totaled 8% mainly driven by the services, construction, and trade. The inflationary environment in 2024 eased after its pick in 2022 post the loss of Ukraine as its key commodity supplier, increased transportation costs and increased buying power. On the back of already high prices of goods and real estate in Armenia, the 12−month inflation slowed to 0.3%, compared with 2% in 2023 and 8.6% in 2022. Central Bank of Armenia has gradually decreased policy interest (refinancing) rate by total 2.5 percentage points ending the year with single digit 7%. By June 2025, the Board of the Central Bank of Armenia decided to keep the key Policy rate (refinancing rate) at 6.75%

As the war continued, the number of highly skilled immigrants (especially from Russia) to Armenia remained high, contributing to significant increase in the volume of money inflows from Russia, Ukraine and Belarus and activation of plastic cards transactions, which continued to have positive impact on the Armenian economy with the resulting almost double−digit growth and strong domestic currency. Since 2022, the Armenian dram has appreciated by approximately 25–30% against major global currencies, reflecting strong external inflows and economic performance. However, in 2024, the dram experienced a moderate depreciation of about 2.15% against the US dollar, with the exchange rate reaching around 396.56 AMD per USD by December 31, 2024. As the war is still waging, it is impossible to reliably assess the final impact this may have on the Organization as there is uncertainty over the magnitude of the impact on the economy in general.

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The Organization’s functional currency is the US dollar (“USD”). These financial statements are presented in AMD following statutory reporting requirements. Financial information presented in AMD has been rounded to the nearest thousand, except when otherwise indicated. The Organization determined, exercising significant judgment, US dollar to be its functional currency, considering the structure of its assets, revenues, and funding. Foreign currency differences arising on retranslation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Foreign currency differences arising from retranslation from functional currency to presentation currency are recognized in other comprehensive income.

2. Basis of preparation (continued)

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs 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 may 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 judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements and estimation uncertainties that have significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3;
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, selection and approval of models used to measure ECL – Note 12.
- estimates of fair values of financial assets– Note 16.

The Organization has not recognized deferred tax asset in respect of tax losses amounting to AMD 2,692,786 thousand (2023: AMD 2,557,401 thousand), as it is not probable that future taxable profit will be available against which the Organization can utilize the benefits therefrom.

3. Material accounting policies information

The accounting policies set out below are applied consistently to all periods presented in these financial statements.

New and amended standards

The Organization has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments effective from 1 January 2024

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no material impact on the Organization’s financial statements.

Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements

The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

The amendment had no material impact on the Organization’s financial statements.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments had no material impact on the ’s financial statements.

3. Material accounting policies information (continued)

Cash and cash equivalents

Cash and cash equivalents consist of unrestricted current account balances held with banks and are used by the Organization in the management of short−term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

Financial assets and financial liabilities

Classification

Financial assets

On initial recognition, Organization classifies its financial assets: amortized cost (fixed interest loans) or FVTPL (equity investments and investments that fail SPPI test).

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Organization considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Organization considers:

- contingent events that would change the amount and timing of cash flows, such as cash flows contractually linked to operating performance measures of the borrower (net profit, EBITDA, revenue or similar);
- leverage features;
- prepayment and extension terms;
- terms that limit the Organization’s claim to cash flows from specified assets (e.g. non−recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Financial liabilities

The Organization classifies its financial liabilities as measured at amortized cost.

Derecognition

Financial liabilities

The Organization derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire, or as the result of substantial modification of its contractual terms by existing lender (see below).

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Organization evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms.

3. Material accounting policies information (continued)

Financial assets and financial liabilities (continued)

The Organization performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Organization assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Organization analogizes to the guidance on the derecognition of financial liabilities.

The Organization concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non−compliance with the SPPI criterion.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Organization plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write−off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Organization further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortized cost does not result in derecognition of the financial asset, then the Organization first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating−rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Modification gains or losses are usually presented as part of interest income calculated using the effective interest method.

Financial liabilities

The Organization derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss (including for modifications of borrowings due to the parent or entity under common control). Consideration paid includes non−financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

Organization performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Organization concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

3. Material accounting policies information (continued)

Financial assets and financial liabilities (continued)

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating−rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re−computing the effective interest rate on the instrument.

Impairment

The Organization recognises loss allowances for expected credit losses (ECL) on the portfolio investments measured at amortized cost.

The Organization measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12−month ECL:

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12−month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12−month ECL is recognised are referred to as ‘Stage 1’ financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as ‘Stage 2’ financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit−impaired) and ‘Stage 3’ financial instruments (if the financial instruments are credit−impaired).

Measurement of ECL

ECL are a probability−weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit−impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Organization expects to receive);
- financial assets that are credit−impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit−impaired financial assets

At each reporting date, the Organization assesses whether financial assets carried at amortized cost are credit−impaired. A financial asset is ‘credit−impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. Material accounting policies information (continued)

Financial assets and financial liabilities (continued)

Evidence that a financial asset is credit−impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Organization on terms that the Organization would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit−impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit−impaired.

Write−offs

Portfolio investments are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Organization determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write−off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Organization's procedures for recovery of amounts due.

Charter capital

The shares of the Organization are redeemable at the option of the participant under the legislation of the Republic of Armenia. The entity is obliged to pay a withdrawing participant its share of the net assets of the entity for the year of withdrawal in cash or, with the consent of the participant, by an in−kind transfer of assets.

In accordance with IAS 32 *Financial Instruments: Presentation* the net assets attributable to participants are classified as equity in the period presented in these financial statements because the management concluded that the Organization's puttable financial instruments satisfy all the conditions set in IAS 32 for equity presentation of puttable instruments.

Debt to equity swaps with shareholders

Forgiveness of liabilities due to the parent or entities under common control or their contribution to Organization's charter capital are accounted at carrying value of liabilities derecognized in correspondence with equity accounts, without any gains or losses recognized in profit or loss. Result from derecognition of financial liabilities due to the parent or entities under common control (whether through settlement in cash or substantial modification) are recognized in profit or loss.

Interest

Effective interest rate

Interest income is recognized in profit or loss using the effective interest method for the financial assets recognized at amortized cost. 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; or
- the amortized cost of the financial liability.

3. Material accounting policies information (continued)

Interest (continued)

When calculating the effective interest rate for financial instruments other than purchased or originated credit‑impaired assets, the Organization 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.

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 amortized cost.

Other interest income presented in the statement of profit or loss and other comprehensive income includes interest income on portfolio investments measured at FVTPL.

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

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Organization's financial statements are not expected to have a material impact on the Organization's financial statements. The Organization intends to adopt these new and amended standards and interpretations, if applicable, when they become effective:

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date;
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed;
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments;
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Organization is currently not intending to early adopt the Amendments.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

3. Material accounting policies information (continued)

Standards issued but not yet effective (continued)

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Organization is currently not intending to early adopt the Amendments.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

The Organization is currently evaluating whether it is eligible to apply IFRS 19 and whether and when to apply it.

4. Interest income

	2024 AMD'000	*2023 AMD'000*
Interest income calculated using effective interest method		
Portfolio investments at amortized cost	228,135	270,964
	228,135	**270,964**
Other interest income		
Other interest income on FVPL instruments	41,876	125,249
Income participation component on IPL	−	5,240
	41,876	**130,489**

5. Other general administrative expenses

	2024 AMD'000	*2023 AMD'000*
Legal and professional service fees	29,406	68,617
Building, equipment and intangible assets maintenance and servicing	11,801	7,913
Rent expenses	2,902	14,664
Depreciation and amortization	2,471	3,800
Business trip expenses	−	414
Other expenses	7,020	14,707
	53,600	**110,115**

Fees due to the Organization's audit for audit of its annual financial statements for 2024 amounted to AMD 7,931 (net of VAT). No non−audit services were provided to the Organization by its external auditor.

6. Cash and cash equivalents

	2024 AMD'000	*2023 AMD'000*
Current accounts in banks		
− rated Ba2	461,911	445,306
Total cash and cash equivalents	**461,911**	**445,306**

The Organization uses credit ratings per Moody's rating agency in disclosing credit quality of cash and cash equivalents.

Cash and cash equivalents are fully in Stage 1 and measured at amortized cost as at 31 December 2024 and 31 December 2023. Expected credit losses were assessed as immaterial.

As at 31 December 2024 the Organization has placement with one bank (2023: one bank), whose balances exceed 10% of equity. The gross value of this balance as at 31 December 2023 is AMD 461,788 thousand (2023: AMD 445,222 thousand).

7. Amounts due from credit institutions

	2024 AMD'000	*2023 AMD'000*
Time deposits for more than 90 days		
− rated Ba2	101,484	−
Total amounts due from credit institutions	**101,484**	**−**

As at 31 December 2024, amounts due from credit institutions include AMD 101,484 term deposits denominated in AMD, placed in an Armenian bank with Ba2 (Moody) rating. Expected credit losses on amounts due from credit institutions are insignificant and no significant increase in credit risk occurred since origination.

8. Portfolio investments at fair value through profit or loss

Income Participation Loans ("IPL") debt investments and equity investments, are measured at fair value through profit or loss.

As at 31 December 2024, the Organization had two IPL investments and one equity investment outstanding. The following table provides information about the details of the investments:

'000 AMD	**Sector**	**Maturity**	**Fair value**
IPL debt investment	Light Industry	2026	47,291
IPL debt investment	Construction	2025	57,688
Total IPL investments at fair value through profit or loss			**104,979**
Equity investment	Manufacturing	n/a	35,690
Total equity investments at fair value through profit or loss			**35,690**
Total financial assets at fair value through profit or loss			**140,669**

As at 31 December 2023, the Organization had five IPL investments and one equity investment outstanding. The following table provides information about the details of the investments:

'000 AMD	**Sector**	**Maturity**	**Fair value**
'000 AMD	**Sector**	**Maturity**	**Fair value**
IPL debt investment	Manufacturing	2025−2026	99,078
IPL debt investment	Light Industry	2026	75,042
IPL debt investment	Hospitality and tourism	2025	301,606
IPL debt investment	Construction	2025	69,833
Total IPL investments at fair value through profit or loss			**545,559**
Equity investment	Manufacturing	n/a	39,498
Total equity investments at fair value through profit or loss			**39,498**
Total financial assets at fair value through profit or loss			**585,057**

As at 31 December 2024 the Organization had no IPL debt investments and equity investment (2023: one counterparty), the fair value of which exceed 10% of equity (2023: the fair value of these balance was thousand AMD 301,606 thousand).

The Organization's equity and IPL debt investments are initially recognized at fair value and are subsequently measured at fair value through profit or loss. Fair values for IPL debt investments were derived using the discount rate adjustment technique where the cash flows were contractually guaranteed. This valuation technique was calibrated so that at initial recognition the result of the valuation technique equalled the transaction price. Fair values for equity investments were also derived applying the discount rate adjustment technique but cash flows considered were cash flows generating contractually agreed minimum IRR at the times of exercising put option with cost of equity applied as a discount rate, for certain items market value of collateral is used adjusted with period and costs to sell. In case of certain non-performing exposures, the Organization applies market value of collateral, adjusted for the expected realization period, cost to sell and liquidation discounts, as the key input to the fair valuation.

9. Portfolio investments at amortized cost

Investments in loans with fixed interest rate are measured at amortized cost.

	2024 AMD'000	*2023 AMD'000*
Portfolio investments at amortized cost (gross)	1,579,385	1,936,919
Technical assistance loans	38,767	92,028
ECL	(645,462)	(463,952)
	972,690	**1,564,995**

As at 31 December 2024 no disbursements of portfolio investments at amortized cost were made to new counterparties (2023: three new counterparties).

An analysis of changes in the gross carrying value and corresponding ECL in relation to portfolio investments at amortized cost during the year ended 31 December 2024 is as follows:

Portfolio investments at amortized cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2024	**1,059,898**	**144,516**	**824,533**	**–**	**2,028,947**
New assets originated or purchased	170,521	–	–	27,077	**197,598**
Assets repaid	(562,463)	(11,960)	(11,528)	–	**(585,951)**
Transfers to Stage 2	(352,681)	352,681	–	–	**–**
Transfers to Stage 3	–	(475,887)	475,887	–	**–**
Amounts written off	–	–	(33,189)	–	(33,189)
Foreign exchange and other movements	(26,727)	(9,350)	45,816	1,008	**10,747**
As at 31 December 2024	**288,548**	**–**	**1,301,519**	**28,085**	**1,618,152**

Portfolio investments at amortized cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2024	**(21,541)**	**(4,612)**	**(437,799)**	**–**	**(463,952)**
New assets originated or purchased	(759)	–	–	–	**(759)**
Assets repaid	12,692	353	5,847		**18,892**
Transfers to Stage 2	2,979	(2,979)	**–**	–	**–**
Transfers to Stage 3	–	6,814	(6,814)	–	**–**
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	–	–	(205,778)	–	(205,778)
Amounts written off	–	–	30,797	–	30,797
Foreign exchange and other movements	1,677	424	(26,763)		**(24,662)**
As at 31 December 2024	**(4,952)**	**–**	**(640,510)**	**–**	**(645,462)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to portfolio investments at amortized cost during the year ended 31 December 2023 is as follows:

Portfolio investments at amortized cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2023	**621,291**	**527,877**	**407,142**	**1,556,310**
New assets originated or purchased	626,210	8,642	–	**634,852**
Assets repaid	(210,979)	(27,368)	(33,918)	**(272,265)**
Transfers to Stage 3		(370,468)	370,468	**–**
Foreign exchange and other movements	23,376	5,833	80,841	**110,050**
As at 31 December 2023	**1,059,898**	**144,516**	**824,533**	**2,028,947**

9. Portfolio investments at amortized cost (continued)

Portfolio investments at amortized cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2023	**(16,752)**	**(27,281)**	**(286,916)**	**(330,949)**
New assets originated or purchased	(6,542)	(1,700)		**(8,242)**
Assets repaid	5,901	995	11,417	**18,313**
Transfers to Stage 3	−	23,092	(23,092)	**−**
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations	−	−	(109,389)	**(109,389)**
Foreign exchange and other movements	(4,148)	282	(29,819)	**(33,685)**
As at 31 December 2023	**(21,541)**	**(4,612)**	**(437,799)**	**(463,952)**

Collateral in respect of portfolio investments at amortized costs mostly represents real estate, equipment, and guarantees from the owners. In absence of collateral, ECL in respect of credit−impaired assets would have been higher by AMD 187,360 thousand as at 31 December 2024 (2023: AMD 116,516 thousand).

The difference between gross contractual claim value of the POCI asset recognized in 2024 as the result of a substantial modification resulting in derecognition of an asset previously measured at FVPL, and its fair value at initial recognition considering the incurred credit losses amounted to AMD 56,597.

10. Equity

Charter capital

The owners of charter capital are entitled to receive dividends as declared from time to time.

In 2023, the sole participant modified the terms of its borrowings extended to the Organization by forgiving the accrued interest in amount of AMD 584,146 and adjusting contractual interest rate on the borrowing to 0% (Note 11). Organization recognized increase in additional paid−in capital of AMD 584,146 directly in statement of changes in equity for the year ended 31 December 2023 as the result of this modification.

In 2024, there was no changes in the Organization’s charter capital.

Dividends

No dividends were declared and paid during 2024 and 2023. No dividends were proposed after 31 December 2024 and up to the date these financial statements were authorized.

11. Borrowings

	2024 AMD’000	*2023 AMD’000*
Unsecured borrowings from parent company	391,745	667,709
Technical assistance loans from parent company	180,435	184,180
	572,180	**851,889**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding borrowings were as follows:

’000 AMD	*Currency*	*Nominal interest rate*	*Year of maturity*	*2024 AMD’000*	*2023 AMD’000*
Unsecured borrowings from parent company	USD	0%	2026−2027	391,745	667,709
Technical assistance loans from parent company	USD	0%	On demand	180,435	184,180
				572,180	**851,889**

11. Borrowings (continued)

(a) Terms and debt repayment schedule (continued)

In March 2023, the Parent company, Gazelle Finance Holding Cooperatief U.A., amended the loan agreement between the Parent company and the Organisation. According to the Deed of Amendment, any accrual of interest was stopped, while all accrued interest payable to the Parent company by the Organisation by the modification date was forgiven. Organization recognized increase in additional paid−in capital of AMD 584,146 directly in statement of changes in equity for the year ended 31 December 2023 as the result of this modification (Note 10). In addition, Organization determined that the terms of outstanding borrowings were substantially modified as the result of interest rate decrease to 0%, resulting in derecognition of the original financial liability and recognition of the new financial liability at its fair value, with AMD 271,558 gain from derecognition of financial liabilities recognized in profit or loss for 2023 for the difference between the carrying value of derecognized liability and fair value of the new liability (measured applying 12.3% market interest rate at the modification date).

No changes were made in the loan agreement during the 2024.

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

	2024 AMD'000	*2023 AMD'000*
Balance at 1 January	**851,889**	**1,809,838**
Changes from financing cash flows		
Repaid	(373,194)	(388,400)
Total changes from financing cash flows	**(373,194)**	**(388,400)**
The effect of changes in foreign exchange rates and other movements	**(34,929)**	**14,944**
Forgiveness of interest recognized in equity	−	(584,146)
Gain from derecognition of financial liabilities recognized in profit or loss	−	(271,558)
Interest expense in profit or loss	128,414	271,211
Balance at 31 December	**572,180**	**851,889**

12. Risk management

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

Risk management policies and procedures

The risk management policies aim to identify, analyze and manage the risks faced by the Organization, 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 Board of Directors 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.

Management is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Organization operates within established risk parameters.

Credit, market and liquidity risks, both at the portfolio and transactional levels, are managed and controlled by Management.

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

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 optimizing the return on risk. The Management is responsible for management of market risk.

12. Risk management (continued)

Market risk (continued)

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 Organization 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

The Organization does not have material floating rate instruments and therefore is not exposed to interest rate risk arising from changes in floating rates.

Currency risk

The Organization has assets and liabilities denominated in AMD.

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 table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2024 and 31 December 2023:

AMD'000	***2024***	***2023***
Assets		
Cash and cash equivalents	62,963	36,086
Amounts due from credit institutions	101,484	–
Portfolio investments at fair value through profit or loss	35,690	39,499
Equipment and intangible assets	2,402	4,678
Other assets	16,857	11,985
Total assets	**219,396**	**92,248**
Liabilities		
Other payables	(15,388)	(14,840)
Total liabilities	**(15,388)**	**(14,840)**
Net position	**204,008**	**77,408**

A weakening (strengthening) of the AMD, as indicated below, against USD at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on a net−of−tax basis and is based on foreign currency exchange rate variances that the Organization considered 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.

AMD'000	***Change in currency rate in % 2024***	***Effect on profit before tax 2024***	***Change in currency rate in % 2023***	***Effect on profit before tax 2023***
Currency				
AMD	5.00%	10,200	5.00%	3,870
AMD	−5.00%	(10,200)	−5.00%	(3,870)

Credit risk

Credit risk is the risk of financial loss to the Organization if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Organization has policies and procedures in place to manage credit exposures (both for recognized financial assets and unrecognized contractual commitments). The credit policy is reviewed and approved by the Management.

12. Risk management (continued)

Credit risk (continued)

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2024 AMD'000	*2023 AMD'000*
Assets		
IPL debt investments	104,979	545,559
Equity investments	35,690	39,499
Portfolio investment (at amortized cost)	972,690	1,564,995
Amounts due from credit institutions	101,484	−
Cash and cash equivalents	461,911	445,306
Total maximum exposure	**1,676,754**	**2,595,359**

Credit risk − credit quality of portfolio investments at amortized cost

Organization classifies the investees / the investments in its portfolio according to the credit risk profile of the investees / credit risk category of the investments. The Fund now considers the following four risk categories while assessing and measuring/valuing the portfolio at FVTPL:

Risk Category 1: Investees or investments outstanding to clients with solid financial standing; no significant deterioration observed after initiation/initial recognition (even if a soft restructuring was made) which cannot be reversed smoothly, material deviation from forecasted cash flows from the investment are not expected and outlook is positive. For the avoidance of any doubt, business−driven soft restructurings, and/or light revision of the initial repayment schedule (e.g. due to modification of the monthly fixed payment date) is not a cause to review the risk classification. Such investments / investees are determined to have low credit risk at the reporting date.

Risk Category 2: Investees or investments outstanding to clients whose financial performance considerably worsened since initiation and where recovery most probably will take more efforts and might be prolonged in time. Or where future performance outlook is worse than initially forecasted and there is a risk that certain part of cash flows might be lost, i.e. there is a possibility that initially planned return (or minimum desired return) on this investment will not be achieved, however a loss on the investment is hardly expected.

Risk Category 3: Investees or investments outstanding to clients with significantly increased risk of non−performance where it is certain that loosing part of the cash−flows are imminent. This category overlaps with the classification of credit−impaired financial assets for those instruments measured at amortized cost.

Risk Category 4: Investees or investments outstanding to clients with very high to 100% loss expectancy / no recovery expected − the borrower is unlikely to pay its credit obligations to the Fund unless with recourse to actions such as realizing collateral/security (if any is held). Such obligations are to be mostly or fully written off, and the clients are defaulted clients.

Risk category 3 and 4 debt investments are considered as non−performing loans (NPLs).

Portfolio investments at amortized cost AMD'000	*Total gross carrying value 31 December 2024*	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*
Risk category 1	288,548	288,548	−	−	−
Risk category 2	−	−			
Risk category 3	1,329,604	−	−	1,301,519	28,085
Risk category 4	−	−	−	−	−
Total portfolio investments at amortized cost	**1,618,152**	**288,548**	**−**	**1,301,519**	**28,085**

Portfolio investments at amortized cost AMD'000	*Total gross carrying value 31 December 2023*	*Stage 1*	*Stage 2*	*Stage 3*
Risk category 1	1,059,898	1,059,898	−	−
Risk category 2	497,741	−	144,516	353,225
Risk category 3	471,308	−	−	471,308
Risk category 4	−		−	−
Total portfolio investments at amortized cost	**2,028,947**	**1,059,898**	**144,516**	**824,533**

12. Risk management (continued)

Credit risk (continued)

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Organization considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Organization uses three criteria for determining whether there has been a significant increase in credit risk for cash and cash equivalents:

- quantitative test based on movement in rating compared to initial recognition (change in external grade by 1 step downwards);
- qualitative factors based on Organization's expert judgement;
- backstop of 30 days past due.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12−month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The Organization uses information from external credit reference agencies for determining PD.

The Organization uses external benchmarks to derive LGD parameters. The Organization incorporates market values of collaterals for the secured portfolio in order to define the applicable benchmark for LGD.

EAD represents the expected exposure in the event of a default. The Organization derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

The portfolios for which external benchmark information represents a significant input into measurement of ECL as at 31 December 2024 and 2023 are as follows.

	Exposure		***External benchmarks used***	
AMD'000	***31 December 2024***	***31 December 2023***	***PD***	***LGD***
Portfolio investment (at amortized cost)	972,690	1,564,995	Moody's default study	Moody's recovery studies
Amounts due from credit institutions	101,484	−	Moody's default study	Moody's recovery studies
Cash and cash equivalents	461,911	445,306	Moody's default study	Moody's recovery studies

Liquidity risk

The Organization maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management.

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

12. Risk management (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the Organization's financial liabilities at 31 December based on contractual undiscounted repayment obligations.

31 December 2024

'000 AMD	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 6 months*	*From 6 to 12 months*	*More than 1 year*	*Total gross amount outflow*	*Carrying amount*
Non−derivative liabilities							
Borrowings	180,435	–	–	–	396,560	**576,995**	572,180
Other payables	15,388	–	–	–	–	**15,388**	15,388
Total financial liabilities	**195,823**	**0**	**0**	**0**	**396,560**	**592,383**	**587,568**

31 December 2023

'000 AMD	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 6 months*	*From 6 to 12 months*	*More than 1 year*	*Total gross amount outflow*	*Carrying amount*
Non−derivative liabilities							
Borrowings	184,180	–	–	–	793,873	**978,053**	851,889
Other payables	14,840	–	–	–		**14,840**	14,840
Total financial liabilities	**199,020**	**0**	**0**	**0**	**793,873**	**992,893**	**866,729**

Maturity analysis of assets and liabilities

The table below shows an analysis, by expected maturities, of amounts recognized in the statement of financial position as at 31 December 2024 and 31 December 2023:

31 December 2024

AMD'000	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*No maturity*	*Total*
Assets						
IPL debt investments	–	–	57,688	47,291	–	**104,979**
Equity investments	–	–	–	–	35,690	**35,690**
Portfolio investment (at amortized cost)	120,059	–	27,551	825,080	–	**972,690**
Other assets	1,587	–	–	–	15,270	**16,857**
Amounts due from credit institutions	–	101,484	–	–	–	**101,484**
Cash and cash equivalents	461,911	–	–	–	–	**461,911**
Total assets	**583,557**	**101,484**	**85,239**	**872,371**	**50,960**	**1,693,611**
Liabilities						
Borrowings	455,388	116,792	–	–	–	**572,180**
Other payables	614	–	–	–	–	**614**
Payables to employees	14,774	–	–	–	–	**14,774**
Total liabilities	**470,776**	116,792	–	–	–	**587,568**
Net position	**112,781**	**(15,308)**	**85,239**	**872,371**	**50,960**	**1,106,043**

12. Risk management (continued)

Maturity analysis of assets and liabilities (continued)

31 December 2023

AMD'000	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*No maturity*	*Total*
Assets						
IPL debt investments	5,199	15,715	90,962	433,687	–	**545,559**
Equity investments	–	–	–	–	39,499	**39,498**
Portfolio investment (at amortized cost)	341,094	–	195,111	1,028,790	–	**1,564,995**
Other assets	1,306	–	–	–	10,679	**11,985**
Cash and cash equivalents	445,306	–	–	–	–	**445,306**
Total assets	**787,706**	**15,715**	**286,073**	**1,426,477**	**50,178**	**2,602,149**
Liabilities						
Borrowings	184,180	–	–	667,709	–	**851,889**
Other payables	3,494	–	–	–	–	**3,494**
Payables to employees	11,346	–	–	–	–	**11,346**
Total liabilities	**199,020**	**–**	**–**	**667,709**	**–**	**866,729**
Net position	**593,885**	**15,715**	**286,073**	**794,764**	**50,177**	**1,740,614**

Portfolio investments with contractually overdue payments are presented in "Demand and less than 1 month" category.

13. Capital management

The CBA sets and monitors capital requirements for the Organization.

The Organization defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBA, credit organizations have to maintain a minimum share capital of AMD 150,000 thousand and total capital of AMD 150,000 thousand. The Organization is in compliance with the minimum share capital and total capital requirements as at 31 December 2024 and 31 December 2023.

14. Contingencies

Insurance

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

Management believes that with contingency preventive and recovery controls implemented by the Organization the risk of loss or destruction of certain assets will not have a material adverse effect on operations and financial position.

Litigation

In the ordinary course of business, the Organization is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

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.

14. Contingencies (continued)

Taxation contingencies (continued)

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 AMD200 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.

15. Related party transactions

Control relationships

The Organization’s parent company is Gazelle Finance Holding Coöperatief U.A., incorporated in Netherlands. The ultimate parent company of the Organization is Gazelle Fund LP, limited partnership formed in Ontario, Canada. The limited partners of the partnership are Dutch Good Growth Fund (DGGF) – 38.87%, Financierings−Maatschappij voor Ontwikkelingslanden (Dutch Development Bank) (FMO) – 30.61%, Partnership Fund – 29.15%. The partnership is managed by Gazelle Finance Partners LLC and Gazelle Finance LLC registered with the US Securities and Exchange Commission (SEC) as an Exempt Reporting Advisor.

Transactions with members of the Management Board

Total remuneration included in personnel expenses for the year ended 31 December 2024 and 2023 is as follows:

Profit or loss	*2024 AMD’000*	*2023 AMD’000*
Employee compensation included in personnel expenses	54,557	52,733

Other related party transactions

The outstanding balances and average effective interest rates as at 31 December 2024 and 2023 for transactions with the other related parties are as follows:

	2024 AMD’000	*Average interest rate, %*	*2023 AMD’000*	*Average interest rate, %*
Statement of financial position				
Parent company				
Borrowings	391,745	0.00%	667,709	0.00%
Technical assistance loans	180,435	0.00%	184,180	0.00%
	572,180		**851,889**	

15. Related party transactions (continued)

Other related party transactions (continued)

Amounts included in profit or loss in relation to transactions with the other related parties for the year ended 31 December are as follows:

	2024 AMD'000	*2023 AMD'000*
Profit or loss		
Parent company		
Interest expense	128,414	271,211
Gain from derecognition of financial liabilities	−	271,558

Refer to Notes 10 and 11 for debt and equity transactions with the parent company in 2024 and 2023.

16. Financial assets and liabilities: fair values and accounting classifications

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

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

The table below analyses financial instruments measured at fair value and financial instruments for which fair values are disclosed as at 31 December 2024 and 2023 by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognized in the statement of financial position.

	Fair value measurement using				
At 31 December 2024	*Level 1*	*Level 2*	*Level 3*	*Total*	*Carrying value*
Assets measured at fair value					
IPL investments at fair value through profit or loss	−	−	104,979	**104,979**	**104,979**
Equity investments at fair value through profit or loss	−	−	35,690	**35,690**	**35,690**
Assets for which fair values are disclosed					
Portfolio investments at amortized cost	−	−	768,842	**768,842**	**972,690**
Liabilities for which fair values are disclosed					
Borrowings	−	−	572,180	**572,180**	**572,180**

	Fair value measurement using				
At 31 December 2023	*Level 1*	*Level 2*	*Level 3*	*Total*	*Carrying value*
Assets measured at fair value					
IPL investments at fair value through profit or loss	−	−	545,559	**545,559**	**545,559**
Equity investments at fair value through profit or loss	−	−	39,499	**39,499**	**39,499**
Assets for which fair values are disclosed					
Portfolio investments at amortized cost	−	−	1,697,076	**1,697,076**	**1,564,995**
Liabilities for which fair values are disclosed					
Borrowings	−	−	667,709	**667,709**	**851,889**

16. Financial assets and liabilities: fair values and accounting classifications (continued)

The following table shows the movement in Level 3 fair values for the period ended December 31, 2024:

AMD'000	*Equity Investments*	*IPL Debt Investments*
Opening balance at January 1, 2024	**39,498**	**545,559**
Net change in fair value (unrealized)	(3,005)	(239,086)
Accrual of other interest income (unrealized)	–	23,971
Sales/disposals/repayments	–	(15,962)
Write-offs (Realized losses)	–	(198,411)
FX revaluation effect	(803)	(11,092)
Closing balance at December 31, 2024	**35,690**	**104,979**

The following table shows the movement in Level 3 fair values for the period ended December 31, 2023:

AMD'000	*Equity Investments*	*IPL Debt Investments*
Opening balance at January 1, 2023	**46,922**	**728,622**
Net change in fair value (unrealized)	(14,905)	(312,137)
Accrual of other interest income (unrealized)	–	130,489
Sales/disposals/repayments	–	(21,814)
FX revaluation effect	7,481	20,399
Closing balance at December 31, 2023	**39,498**	**545,559**

Sensitivity analysis

For the fair values of IPL debt investments and equity investments reasonably possible changes as of 31 December 2024 and 2023 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

2024	***Net increase/(decrease) in net assets***	
AMD'000	***Increase***	***(Decrease)***
Discount rate for IPL / CoE and WACC for Equity investments deviate from the base rate by −/+ 3.0%	2,168	(2,227)
Recoverability of cash flows from IPLs and equity investments deviate from expected by −/+ 20.0%	50,067	(50,067)
Collateral market value deviate from the estimated by -/+10%	14,440	(13,015)

2023	***Net increase/(decrease) in net assets***	
AMD'000	***Increase***	***(Decrease)***
Discount rate for IPL / CoE and WACC for Equity investments deviate from the base rate by −/+ 3.0%	24,044	(26,034)
Recoverability of cash flows from IPLs and equity investments deviate from expected by −/+ 20.0%	72,556	(72,556)

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.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk−free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

16. Financial assets and liabilities: fair values and accounting classifications (continued)

The below table shows the valuation techniques and methods as well as the significant unobservable inputs used in measuring level 3 fair value of the Fund's debt and equity investments:

Type	Valuation technique	Valuation method	Significant unobservable inputs	Inter−relationship between significant unobservable inputs and fair value measurement
IPL Debt Investment	*Discounted cash flows to the Fund from investments*: FV for **Risk Category 1** IPLs are derived using the Discount Rate Adjustment Technique where the cash flows are contractually guaranteed (for Risk Category I), while FV for **Risk Category 2 and 3** IPLs are derived using the Expected Present Value Technique which considers the most expectable cash−flows from the investments to the Fund. These valuation techniques and the initial discount rates are calibrated so that at initial recognition the result of the valuation technique equals the transaction price. The expected payment is determined by considering the annuity payments of principal and fixed component of interest and also payment of variable component of interest based on possible scenarios of forecasted sales revenues (floor/budget sales, ceiling sales) and the amount to be paid under each scenario.	**Risk Category 1:** Investment CF by risk−adjusted discount rate: initially calibrated discount rate is modified semi−annually to adjust to (i) market rate changes and (ii) investee's risk profile changes (if any), while contractually agreed cash−flows are kept unchanged. **Risk Category 2 and 3**: Probability weighted investment CF by discount rate method: discount rate is kept the same as used in previous periods but adjusted to market base rate changes only (i.e. the rate is maintained as if the instrument were still of risk category 1), but cash flow component of the model is modified so as to reflect the increased risk of non−performance, where probability weighted investment CF considers a probability scenario that only certain portion of contractually committed cash−flows will be realized. Effective recovery rates for such scenarios are ranged 75−95% for Risk Category 2, 35−75% for Risk Category 3, and 10−50% for Risk Category 4. In case of certain non-performing exposures, the Organization applies market value of collateral, adjusted for the expected realization period, cost to sell and liquidation discounts, as the key input to the fair valuation.	▪ Forecasted monthly sales revenues for the whole debt term, floor and ceiling sales for each month. ▪ Fair value of the collaterals used together with discounting period for realization and haircuts applied. ▪ Risk−adjusted discount rate (22.43% − 24.10%)	Keeping other inputs constant, the estimated fair value would increase (decrease) if: • **Risk Category 1:** ▪ the risk−adjusted discount rate were lower (higher). • **Risk Category 2 and 3:** ▪ the risk−adjusted discount rate were lower (higher). ▪ The effective recovery rate were lower (higher)

16. Financial assets and liabilities: fair values and accounting classifications (continued)

Type	Valuation technique	Valuation method	Significant unobservable inputs	Inter−relationship between significant unobservable inputs and fair value measurement
Equity Investment	*Discounted cash flows to the Fund from investments*: Valuation model considers the cash−flows from exercised progressive put options (for **Risk Category 1)** and also the forecasted Free Cash−flow to the Firm (FCFF) (for **Risk Category 2 and 3**); These cash−flows are then adjusted according to categories and discounted by either the Cost of Equity (CoE) or Weighted Average Cost of Capital (WACC), whichever is appropriate, for each investment.	**Risk Category 1:** Fair value of Category 1 puttable equity investments are calculated as an NPV of either (i) cash flows generating contractually agreed minimum IRR at the times of exercising put option, or (ii) cash flows of put prices calculated considering contractually agreed EBITDA− or Sales−based multiples, whichever is greater, discounted by CoE. **Risk Category 2 and 3:** FV of Category 2 or 3 puttable equity investments are calculated as a weighted average of put and equity values. A probability scenario is added into the model that assumes at a certain probability an investee will not be able to honor the put obligation neither with its own cash−flows, nor with external cheaper funding such as bank loans, and thus the Fund will need to seek third party exit in which case an exit price will be equity value (proportional to the Fund’s ownership in the company) and not the pre−agreed put price. Equity value is calculated as a higher value of (i) NPV of FCFF discounted by WACC adjusted by outstanding debts and cash or (ii) liquidation value of total assets of the investee company. In case of certain non-performing exposures, the Organization applies market value of collateral, adjusted for the expected realization period, cost to sell and liquidation discounts, as the key input to the fair valuation. Effective recovery rates for such scenarios are ranged from 20% to 85%.	▪ Exercise values of progressive put options. ▪ CoE/ WACC (25.23%) ▪ Probability of third−party exit (25% for Risk Category 2, 75% for Risk Category 3, 100% for Risk Category 4).	Keeping other inputs constant, the estimated fair value would increase (decrease) if: **Risk Category 1:** ▪ CoE were lower (higher) **Risk Category 2 and 3:** ▪ The effective recovery rate were lower (higher) ▪ CoE were lower (higher)

17. Events after reporting date

In 2025, the Organisation has fully repaid the remaining outstanding balance of the borrowing due to its Parent Company, Gazelle Finance Holding Cooperatief U.A., in amount of AMD 396,560 (USD 1,000 thousand).