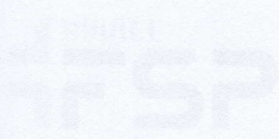


Contents

**Financial Statements
and Independent Auditor's Report**

ML FASHION LLC

31 December 2025



Independent auditor's report

To the participants of M. Fashion LLC

Contents

We have audited the financial statements of M. Fashion LLC (the "Company"), which comprise the statement of financial position as at 31 December 2025, and the statement of profit or 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Company and its financial performance and its cash flows for the year then ended in accordance with International Accounting Standards (IASs) (IFRSs) as adopted in Armenia. We were unable to obtain sufficient audit evidence to confirm the existence of inventories as at 31 December 2025. Given the volume of the Company's inventory list, we were unable to obtain sufficient evidence through alternative audit procedures regarding the existence of inventories as at 31 December 2025.

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Since the opening balances of inventories are included in the financial results and cash flows, we were unable to determine whether adjustments at the close for the year as presented in the statement of profit or loss and other comprehensive income, as well as to the net cash from operating activities in the statement of cash flows might be necessary for the year ended 31 December 2025.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

Independent auditor's report

To the participant of ML Fashion LLC

Qualified Opinion

We have audited the financial statements of ML Fashion LLC (the "Company"), which comprise the statement of financial position as at 31 December 2025, and the statement of profit or 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB").

Basis for Qualified Opinion

We were appointed as the Company's auditor on 28 March 2026 and therefore were unable to participate in the actual stocktaking of the Company's inventories, which are presented in the statement of financial position at drams 290,090 thousand as of 31 December 2025. Given the volume of the Company's inventory list, we were unable to obtain sufficient evidence through alternative audit procedures regarding the existence of inventories as of 31 December 2025.

Since the opening balances of inventories are included in the financial results and cash flows, we were unable to determine whether adjustments to the loss for the year as presented in the statement of profit or loss and other comprehensive income, as well as to the net cash from operating activities in the statement of cash flows might be necessary for the year ended 31 December 2025.

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

FSP Advice LLC,

Ruzanna Badalyan

Director

22 April 2026

Yerevan, Republic of Armenia



Gevorg Khashkhashyan, ACCA

Auditor

	2025	2024
	190,752	175,434
	529,118	549,307
	12,844	8,965
	148,982	728,407
	180,047	859,659
	95,321	7,748
	23,823	148,736
	51,375	26,359
	332,010	940,573
Total assets	1,175,302	1,075,336

Statement of financial position *(continued)*

In thousand drams		As of 31 December 2025	As of 31 December 2024
	Note		
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	4	199,752	175,494
Intangible assets		2,273	1,641
Right-of use assets	5	529,113	549,307
Deferred income tax assets	6	12,844	8,965
		<u>743,982</u>	<u>735,407</u>
<i>Current assets</i>			
Inventories	7	290,090	159,659
Trade and other receivables	8	66,321	7,749
Borrowings provided	7	23,623	146,786
Cash and bank balances	9	51,976	26,329
		<u>432,010</u>	<u>340,523</u>
Total assets		<u><u>1,175,992</u></u>	<u><u>1,075,930</u></u>

The financial statements were approved on 21 April 2026 by:

Liana Martirosyan
Director

Haykuni Narinmangyan
Chief Accountant

Statement of financial position (continued)

In thousand drams	Note	As of 31 December 2025	As of 31 December 2024
Equity and liabilities			
<i>Capital and reserves</i>	10		
Charter capital		61,540	48,855
Accumulated profit/(loss)		-	164,718
		<u>61,540</u>	<u>213,573</u>
<i>Non-current liabilities</i>			
Loans and borrowings	11	118,813	86,634
Lease liabilities	5	351,673	376,069
		<u>470,486</u>	<u>462,703</u>
<i>Current liabilities</i>			
Trade and other payables	12	312,383	92,202
Loans and borrowings	11	103,524	77,829
Lease liabilities	5	226,418	207,025
Current income tax liabilities		1,641	22,598
		<u>1,114,452</u>	<u>862,357</u>
Total equity and liabilities		<u>1,175,992</u>	<u>1,075,930</u>

The financial statements were approved on 22 April 2026 by:

Liana Martirosyan

Director



Haykuhi Narimanyan

Chief Accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 41.

Statement of profit or loss and other comprehensive income

In thousand drams	Note	Year ended 31 December 2025	Year ended 31 December 2024
Revenue from contract with customers	13	2,091,381	1,692,753
Cost of sales	14	(1,128,762)	(794,396)
Gross profit		962,619	898,357
Other income		5,491	11,370
Distribution expenses	15	(558,938)	(461,916)
Administrative expenses	16	(197,586)	(155,091)
Other expenses	17	(24,085)	(19,178)
Profit from operating activities		187,501	273,542
Finance costs	11	(80,790)	(70,783)
Other financial items	18	(11,031)	7,790
Profit before income tax		95,680	210,549
Income tax expense	19	(19,780)	(45,831)
Profit for the year		75,900	164,718
Other comprehensive income		-	-
Total comprehensive income for the year		75,900	164,718

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 set out on pages 12 to 41.

Statement of changes in equity

In thousand drams	Charter capital	Accumulated Profit/(loss)	Total
as of 1 January 2024	48,855	-	48,855
Profit for the year	-	164,718	164,718
Total comprehensive income for the year	-	164,718	164,718
as of 31 December 2024	48,855	164,718	213,573
Profit for the year	-	75,900	75,900
Total comprehensive income for the year	-	75,900	75,900
Dividends	-	(240,618)	(240,618)
Charter capital contribution	12,685	-	12,685
as of 31 December 2025	61,540	-	61,540

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 41.

Statement of cash flows

In thousand drams	Year ended 31 December 2025	Year ended 31 December 2024
Cash flows from operating activities		
Profit for the year	75,900	164,718
<i>Adjustments for:</i>		
Depreciation and amortization	257,837	200,336
Income tax expense	19,780	45,831
Finance cost	80,790	70,783
(Gain)/loss on disposal of property, plant and equipment	4,235	-
Other financial items	11,031	(7,790)
<i>Operating profit before working capital changes</i>	<u>449,573</u>	<u>473,878</u>
Change in trade and other receivables	(57,964)	(19,390)
Change in inventories	(130,431)	(39,495)
Change in trade and other payables	204,275	36,959
<i>Cash generated from operations</i>	<u>465,453</u>	<u>451,952</u>
Interest paid	(80,790)	(70,783)
Income tax paid	(44,616)	(46,135)
<i>Net cash from operating activities</i>	<u>340,047</u>	<u>335,034</u>
Net increase/decrease in cash and bank balances	25,776	19,862
Foreign exchange effect as a result of translation	(125)	446
Cash and bank balances at the beginning of the year	26,329	7,504
Cash and bank balances at the end of the year	<u>52,100</u>	<u>27,812</u>

Dividends declared during the reporting year were partially repaid in non-cash form. Particularly, dividends at the amount of drams 51,240 thousand were recognized as a borrowing received from a shareholder. 2024 dividends at the amount of drams 135,375 thousand were set off against borrowings provided to the shareholder.

The statement of cash flows is prepared in accordance with the accounting standards of the Republic of Armenia and is presented on pages 12 to 14.

Statement of cash flows

(continued)

In thousand drams	Year ended 31 December 2025	Year ended 31 December 2024
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(62,520)	(103,752)
Borrowings provided	(47,152)	(178,220)
Repayment of borrowings provided	34,940	41,850
<i>Net cash used in investing activities</i>	<u>(74,732)</u>	<u>(240,122)</u>
Cash flows from financing activities		
Loans and borrowings received	182,876	100,000
Repaid of loans and borrowings	(177,850)	(59,831)
Repayment of lease liabilities	(204,251)	(139,743)
Dividends paid	(53,003)	-
Charter capital contribution	12,685	-
<i>Net cash used in financing activities</i>	<u>(239,543)</u>	<u>(99,574)</u>
Net increase/(decrease) in cash and bank balances	25,772	(4,662)
Foreign exchange effect on cash	(125)	446
Cash and bank balances at the beginning of the year	26,329	30,545
Cash and bank balances at the end of the year	<u>51,976</u>	<u>26,329</u>

Dividends declared during the reporting year were partially repaid in non-cash form. Particularly, dividends at the amount of drams 52,240 thousand were reorganized as a borrowing received from a shareholder (2023: drams 81,590 thousand), and dividends at the amount of drams 135,375 thousand were set off against borrowings provided to the shareholder.

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 41.

Notes to the financial statements

1 Nature of operations and general information

ML FASHION limited liability company (the “Company”) is commercial organization, which was registered on 11 September 2017 by the State Register of Legal Entities of the Republic of Armenia (registration number: 271.110.973610).

Principal activity of the Company is the implementation of commercial activities, in particular, the retail of Zarina brand clothing and accessories.

Zarina brand is a Russian origin clothing producer and retailer. It is one of the main brands of Melon Fashion Group and provides the significant portion of the total sales of the company. The brand specializes in production of modern clothing and has a wide geographical presence in number of CIS countries.

The average number of employees of the Company as of 31 December 2025 was 116 employees (2024: 108 employees).

The Company is located at Kotayk marz, Zovuni 4th Street, 120-2/1.

Business environment

Armenia’s business environment in 2025 continues to be influenced by geopolitical tensions, regional security risks and evolving global economic conditions.

Economic performance across sectors was uneven during the period. Growth continued to be supported primarily by the trade, service and construction sectors, reflecting resilient private consumption and investment activity. Industrial output, while previously affected by contractions in select subsectors, demonstrated stability and modest improvement in recent reporting periods, aided by recovery within certain manufacturing activities.

The financial sector remained stable, underpinned by a well capitalized and adequately regulated banking system. Regulatory oversight and supervisory practices continued to support the maintenance of liquidity, solvency, and operational soundness across financial institutions, despite the presence of external risks. For 2025 Armenia’s economic growth was at 5.1%, for 2026 the expectation is at 5.4%.

Effective 1 January 2025, legislative amendments regarding the refund of income tax relating to interest paid for servicing mortgage loans have come into force. Under these amendments, for mortgage loans obtained after 1 January 2025 for the purchase of apartments from developers within the administrative territory of Yerevan, income tax regarding the interest paid for servicing such loans will no longer be refunded to the buyer. This restriction does not apply to apartments in multi-apartment residential buildings or individual residential houses constructed (or under construction) based on construction permits issued under decisions adopted before 1 January 2022.

Management has assessed the impact of the current economic environment on the operations of the Company and reflected this in these financial statements. However, the future economic and political situation may differ from current expectations, and such differences could affect the Company’s financial position, performance, and cash flows.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). They have been prepared under the assumption that the Company operates on a going concern basis.

2.2 Basis of measurement

The financial statements have been prepared on an accruals basis and under the historical cost convention.

2.3 Functional and presentation currency

The national currency of Armenia is the Armenian dram (“dram”), which is the Company’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Company.

These financial statements are presented in Armenian drams, since management believes that this currency is more useful for the users of these financial statements. All financial information presented in Armenian drams has been rounded to the nearest thousand.

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRSs requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 20 to the financial statements. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates and the original estimates and assumptions will be modified as appropriate in the year in which circumstances change.

2.5 Adoption of new and revised standards

In the current year the Company has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board and IFRS Interpretations Committee of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2025.

The amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* was applied for the first time in 2025, which introduced requirements to assess when a currency is exchangeable into another currency and when it is not. The adoption of this amendment did not have an impact on the financial statements of the Company.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

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

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

- 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. Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure financial statements and to provide more detailed and useful information to investors, including:

- two new subtotals defined in the statement of profit or loss and other comprehensive income: operating profit and profit or loss before financing and income taxes
- the classification of all income and expenses within the statement of profit or loss and other comprehensive income in one of five categories: operating, investing, financing, income taxes and discontinued operations
- a new requirement to disclose performance measures defined by management, and
- an improvement in the principles related to the aggregation and disaggregation of information in the financial statements and accompanying notes.

Some of the disclosure requirements previously contained in IAS 1 have been transferred to IAS 8 without any material changes. This applies in particular to disclosures on accounting policies and sources of estimation uncertainty. As a result of these changes, IAS 8 will be renamed to Basis of Preparation of Financial Statements.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operating activities 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 IFRS Accounting Standards.

IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 will be applied retrospectively with specific transitional provisions.

The Company is currently working to identify all the impacts that IFRS 18 will have on the financial statements and notes to the financial statements.

Other new standards, amendments and interpretations not adopted in the current year are not expected to have a material impact on the Company's financial statements.

- Amendments to Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) (effective for annual reporting periods beginning on or after 1 January 2026)

- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) (effective for annual reporting periods beginning on or after 1 January 2026)
- Annual Improvements to IFRS Accounting Standards - Volume 11 (effective for annual reporting periods beginning on or after 1 January 2026)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual reporting periods beginning on or after 1 January 2027)

3 Summary of material accounting policies

3.1 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date, which is 381.36 drams for 1 US dollar and 449.01 drams for 1 euro as of 31 December 2025 (31 December 2024: 396.56 drams for 1 US dollar and 413.89 drams for 1 euro). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

3.2 Property, plant and equipment

Property, plant and equipment stated at cost

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes directly attributable expenditures, site preparation, installation and assembly costs, professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Expenditure to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in profit or loss as incurred.

Depreciation is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Buildings and constructions	-	20 years
Vehicles	-	8 years
Fittings	-	1-5 years
Other	-	8-10 years.

3.3 Intangible assets

Intangible assets, which are acquired by the Company and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the intangible assets, which is estimated at 10 years.

3.4 Impairment of property, plant and equipment and intangible assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment loss is treated as a revaluation increase.

3.5 Inventories

Inventories are assets held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Items such as spare parts, stand-by equipment and servicing equipment are also recognized as inventories unless they meet the definition of property and equipment.

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.6 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the Company's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the "expected credit loss (ECL) model". Instruments within the scope of IFRS 9 requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Cash and cash equivalents

Cash and bank balances comprise cash on hand, bank accounts and cash in transit.

For the purpose of the statement of cash flows, cash equivalents are on-demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company classifies investments as a cash equivalent if it is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value.

Classification and measurement of financial liabilities

The Company's financial liabilities include loans and borrowings, trade and other payables.

Loans and borrowings

Loans and borrowings are recognized initially at fair value, net of issuance costs associated with the borrowing. The difference between fair value and nominal value is recognized in profit or loss, except when the borrowing was received from the owners. In this instance the difference between fair value and nominal value is recognized in equity as additional capital. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value recognized in profit or loss over the period of the borrowings on an effective interest basis. Interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance expenses, except for the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalized as part of that asset.

Trade and other payables

Trade and other payables are stated at fair value and subsequently stated at amortized cost.

3.7 Leased assets

The Company makes the use of leasing arrangements principally for sales areas. The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability for all leases, except for short-term leases (12 months or less) and leases of low-value assets.

Areas that are leasehold properties are included in right-of-use assets. Depreciation of such assets is calculated over the expected useful life of the asset (determined by comparison with similar assets owned by the Company) or the lease term, if shorter.

The Company has elected not to separate non-lease components from lease components by underlying asset class (real estate/commercial leases) and instead to account for each lease component and any related non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in its statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

In case of leases where the lessor is an individual, the Company acts as a tax agent. The lease liability is measured based on the gross contractual payments, which include both the net rent paid to the lessor and the income tax (PIT) calculated on behalf of the latter and paid to the state budget. These amounts are considered a part of the fixed payments, as they represent the inevitable economic outflows of the Company arising from the lease agreement.

3.8 Equity

Equity instruments issued by the Company are recorded at the proceeds received.

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period retained profits.

Dividends are recognized as a liability in the period in which they are declared.

3.9 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.10 Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.11 Employee benefits

Short-term employee benefits are*benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and include:

- (a) wages, salaries and bonuses;
- (b) paid annual leaves and paid disability leaves;
- (c) social security contributions and other social payments.

When employees render services to the Company during the accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- (a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Company shall recognize that excess

as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(b) as an expense, unless the amount is included in the cost of an asset.

Paid absences

The expected cost of short-term employee benefits in the form of paid absences is recognized as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences.

(b) in the case of non-accumulating paid absences, when the absences occur.

Bonuses

The expected cost of bonus payments is recognized when and only when the Company has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, the Company has no realistic alternative but to make the payments.

3.12 Revenue

To determine whether to recognize revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

4 Property, plant and equipment

In thousand drams	Land, buildings and constructions	Machinery, equipment and vehicles	Fixture, fittings, instruments	Construct ions in progress	Other	Total
<i>Cost</i>						
as of 1 January 2024	16,188	58,290	30,385	-	61,895	166,758
Additions	29,329	59,752	9,638	-	3,264	101,983
as of 31 December 2024	45,517	118,042	40,043	-	65,159	268,741
Additions	5,551	48,600	4,933	-	1,176	60,260
Disposal	-	(6,250)	-	-	-	(6,250)
as of 31 December 2025	51,068	160,392	44,956	-	66,335	322,751
<i>Accumulated depreciation and impairment</i>						
as of 1 January 2024	1,978	17,323	16,774	-	31,181	67,256
Charge for the year	2,240	14,423	5,833	-	3,495	25,991
as of 31 December 2024	4,218	31,746	22,607	-	34,676	93,247
Charge for the year	3,179	19,392	6,955	-	2,241	31,767
Elimination on disposal	-	(2,015)	-	-	-	(2,015)
as of 31 December 2025	7,397	49,123	29,562	-	39,917	122,999
<i>Carrying amount</i>						
as of 31 December 2024	41,299	86,296	17,416	-	30,483	175,494
as of 31 December 2025	43,671	111,269	15,394	-	29,418	199,752

Property, plant and equipment of the Company at the carrying amount of drams 200,400 thousand have been pledged as a security for loans and borrowings as of 31 December 2025 (31 December 2024: drams 327,900 thousand).

In thousand drams	As of 31 December 2025	As of 31 December 2024
Carrying amount of leased equipment	-	6,250
Depreciation for leased equipment	-	(2,015)

In the scope of IFRS the Company has used the following practical simplifications permitted by the standard:

5 Leases

5.1 Right-of-use assets

In thousand drams	As of 31 December 2025	As of 31 December 2024
Area	529,113	549,307
	529,113	549,307

5.2 Finance lease liabilities

In thousand drams	As of 31 December 2025	As of 31 December 2024
Current	226,418	207,025
Non-current	351,673	376,069
	578,091	583,094

Additions to right-of-use assets during the reporting year were as follows:

2024: drams 314.9 million

2025: drams 204.2 million

The company's lease activities mainly include retail stores and warehouses.

Qualitative description of the lease portfolio

The Company leases various commercial areas and a warehouse. Lease agreements are typically concluded for a fixed term of 3 to 5 years, but may include renewal options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Variable lease payments

Some retail space leases contain* variable payment terms that are linked to monthly sales volumes/indexation. Variable lease payments are recognized in profit or loss in the period in which the event giving rise to these payments occurs. These payments are not included in the measurement of the lease liability. The use of variable payment terms helps align lease expenses with revenue/usage and reduces the Company's fixed cost burden during periods of low activity.

Lease of short-term and low-value assets

The Company uses the short-term lease recognition exception for contracts with a term of less than 12 months.

In the scope of IFRS 16 the Company has used the following practical simplifications permitted by the standard:

The Company has elected not to separate non-lease components (such as the maintenance, cleaning and utilities of common areas) and accounts for them as a single lease component for all commercial area lease agreements.

Amounts recognized in the statement of profit or loss and other comprehensive income

In thousand drams	As of 31 December 2025	As of 31 December 2024
Depreciation expense on right-of-use assets	224,441	173,679
Interest expense on lease liabilities (included in finance cost)	57,175	50,837
Expenses related to short-term and low-value assets	-	7,102
Expenses related to variable lease payments (included in distribution expenses)	4,648	3,167

Maturity analysis

Below lease payment maturity analysis is presented, which reflects undiscounted lease payments due after the reporting date:

In thousand drams	As of 31 December 2025	As of 31 December 2024
During 1 year	270,464	253,945
During 1 to 5 years	395,252	340,872
More than 5 years	-	-
Total undiscounted lease payments	665,716	594,817

6 Deferred income taxes

The movement of deferred income taxes is disclosed below:

In thousand drams	2025	2024
Balance at the beginning of year	8,965	12,156
(Charged)/credited to profit or loss (refer to note 19)	3,879	(3,191)
Balance at the end of year	12,844	8,965

Deferred income taxes for the year ended 31 December 2025 can be summarized as follows:

In thousand drams	1 January 2025	Recognized in profit or loss	31 December 2025
<i>Deferred income tax assets</i>			
Lease liabilities	104,957	(901)	104,056
Unused vacation reserve	2,883	1,145	4,028
	<u>107,840</u>	<u>244</u>	<u>108,084</u>
<i>Deferred income tax liabilities</i>			
Right-of-use assets	98,875	(3,635)	95,240
	<u>98,875</u>	<u>(3,635)</u>	<u>95,240</u>
Net position – deferred income tax assets	<u>8,965</u>	<u>3,879</u>	<u>12,844</u>

Deferred income taxes for the year ended 31 December 2024 can be summarized as follows:

In thousand drams	1 January 2024	Recognized in profit or loss	31 December 2024
<i>Deferred income tax assets</i>			
Lease liabilities	83,961	20,996	104,957
Unused vacation reserve	1,649	1,234	2,883
	<u>85,610</u>	<u>22,230</u>	<u>107,840</u>
<i>Deferred income tax liabilities</i>			
Right-of-use assets	73,454	25,421	98,875
	<u>73,454</u>	<u>25,421</u>	<u>98,875</u>
Net position – deferred income tax assets/(liabilities)	<u>12,156</u>	<u>(3,191)</u>	<u>8,965</u>

7 Inventories

In thousand drams	As of 31 December 2025	As of 31 December 2024
Goods in warehouse	287,552	159,659
Other	2,538	-
	<u>290,090</u>	<u>159,659</u>

None of the inventories are pledged as a security for liabilities.

8 Trade and other receivables

In thousand drams	As of 31 December 2025	As of 31 December 2024
<i>Non-financial assets</i>		
Advances and prepayments	37,851	7,465
Receivables from the State budget	28,470	284
	66,321	7,749

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Management believes that the receivables from the State budget are fully recoverable.

Note 22 (b) includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and comparative impairment provisions apply the IFRS 9 expected loss model.

9 Cash and bank balances

In thousand drams	As of 31 December 2025	As of 31 December 2024
Cash in hand	27,349	7,883
Cash in transit	21,209	15,237
Bank accounts	3,418	3,209
	51,976	26,329

10 Capital and reserves

10.1 Charter capital

Number of shares unless otherwise stated	Ordinary shares 2025	Ordinary shares 2024
One ordinary shares of drams each	61,540,000	48,855,000

Additions at the amount of drams 12,685 thousand represent additional contribution to equity by the shareholder. No additional shares were issued in return for this contribution, and the issued share capital continues to consist of one ordinary share.

The Company's sole participant is Liana Martirosyan.

10.2 Dividends

In 2025 dividends at the amount of 240,618 thousand have been issued and paid (2024: nil).

11 Loans and borrowings

In thousand drams	Current		Non-current	
	As of 31	As of 31	As of 31	As of 31
	December	December	December	December
	2025	2024	2025	2024
<i>Unsecured</i>				
Borrowings from relayed parties	15,595	-	-	-
Borrowings received	-	-	78,000	-
Loan facility	14,858	14,077	-	-
	<u>30,453</u>	<u>14,077</u>	<u>78,000</u>	<u>-</u>
<i>Secured</i>				
Bank loans	73,071	60,817	40,813	86,634
Financial lease	-	2,935	-	-
	<u>73,071</u>	<u>63,752</u>	<u>40,813</u>	<u>86,634</u>
	<u>103,524</u>	<u>77,829</u>	<u>118,813</u>	<u>86,634</u>

Reconciliation of liabilities arising from financing activities.

	1 January 2025	Proceeds / cash flows	Repayment/ cash flows	Interest payments	Interest expense	Foreign currency revaluation	New leases, agreements changes and lease concessions/ reclassification of short-term accounts payable	31
								December 2025
Loans and borrowings	164,463	182,876	(177,850)	(23,615)	23,615	-	52,848	222,337
Lease liabilities	583,094	-	(204,251)	(57,175)	57,175	-	199,248	578,091
	747,557	182,876	(382,101)	(80,790)	80,790	-	252,096	800,428

	1 January 2024	Proceeds / cash flows	Repayment/ cash flows	Interest payments	Interest expense	Foreign currency revalua tion	New leases, agreements changes and lease concessions/ reclassificati on of short- term accounts payable	31 December 2024
Loans and borrowings	124,220	100,000	(59,831)	(19,946)	19,946	-	74	164,463
Lease liabilities	466,451	-	(139,743)	(50,837)	50,837	-	256,386	583,094
	590,671	100,000	(199,574)	(70,783)	70,783	-	256,460	747,557

Loans and borrowings are secured by collateral.

12 Trade and other payables

In thousand drams	As of 31 December 2025	As of 31 December 2024
Trade payables	206,084	12,488
Accounts payable to the State budget	55,893	47,991
Employee compensations	8,806	3,994
Reserve for unused vacation pay	22,380	16,015
Operating lease payables	15,981	11,714
Other	3,239	-
	312,383	92,202

The average credit period on purchase of certain goods is 1 month (2024: 1 month). No interest is charged on the trade payables. The Company has financial risk management policies to ensure that all payables are paid within the credit timeframe.

Refer to note 22 for more information about the Company's exposure to foreign currency risk.

13 Revenue from contracts with customers

In thousand drams	Year ended 31 December 2025	Year ended 31 December 2024
Revenue from sale of goods	2,091,381	1,692,621
Revenue from rendering of services	-	132
	2,091,381	1,692,753

14 Cost of sales

In thousand drams	Year ended 31 December 2025	Year ended 31 December 2024
Cost of goods sold	1,128,762	794,396
	1,128,762	794,396

15 Distribution expenses

In thousand drams	Year ended 31 December 2025	Year ended 31 December 2024
Employee compensations	240,844	199,927
Depreciation and amortization	19,006	14,961
Depreciation expense on right-of-use assets	224,441	173,679
Lease expenses (variable and short-term)	4,648	10,269
Bank charges	18,760	19,610
Maintenance expenses of store infrastructure	15,660	8,160
Utility and communication expenses	13,506	12,546
Marketing and advertisement expenses	8,011	6,880
Property, plant and equipment repair and maintenance expenses	7,507	8,464
Other	6,555	7,420
	558,938	461,916

16 Administrative expenses

In thousand drams	Year ended 31 December 2025	Year ended 31 December 2024
Employee compensations	164,371	127,619
Depreciation and amortization	14,390	11,696
Utility and communication expenses	6,207	6,297
Bank charges	4,696	2,212
Property, plant and equipment repair and maintenance expenses	2,320	3,527
Other	5,602	3,740
	197,586	155,091

17 Other expenses

In thousand drams	Year ended 31 December 2025	Year ended 31 December 2024
Expenses from fines and penalties	5,252	2,914
Foreign currency exchange rate differences	17,053	14,872
Other	1,780	1,392
	24,085	19,178

18 Other financial items

In thousand drams	Year ended 31 December 2025	Year ended 31 December 2024
<i>Gain from foreign exchange rate differences</i>		
Trade and other payables	11,634	10,800
Cash and cash equivalents	180	1,692
	11,814	12,492
<i>Loss from foreign exchange rate differences</i>		
Trade and other payables	(22,540)	(3,456)
Cash and cash equivalents	(305)	(1,246)
	(22,845)	(4,702)
<i>Net gain/(loss) from foreign exchange rate differences</i>	(11,031)	7,790

19 Income tax expense

In thousand drams	Year ended 31 December 2025	Year ended 31 December 2024
Current tax	23,659	42,640
Deferred tax	(3,879)	3,191
	19,780	45,831

Reconciliation of the effective tax rate is as follows:

In thousand drams	Year ended 31 December 2025	Effective tax rate (%)	Year ended 31 December 2024	Effective tax rate (%)
Profit before taxation (under IFRSs)	95,680		210,549	
Tax calculated at a tax rate of 18% (2024: 18%)	17,222	18	37,899	18
(Non-taxable)/non-deductible items, net	2,558	3	7,932	4
Income tax expense/ (recovery)	19,780		45,831	

20 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

20.1 Critical accounting estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property, plant and equipment

Management has estimated useful lives of the property, plant and equipment. Management believes that estimated useful lives of the property, plant and equipment are not materially different from economical lives of those assets. If actual useful lives of property, plant and equipment are different from estimations, financial statements may be materially different.

Inventories

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Useful lives and residual values of depreciable assets

Management reviews its estimate of the useful lives and residual values of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and environmental regulations that can make polluting assets to be depreciated more quickly.

A review of the useful life for fixed assets has been performed in regard to climate change and environmental regulations as known at the reporting date and which has not identified any significant impact to the Company's carrying amounts of property, plant and equipment.

Management believes that estimated useful lives of depreciable assets are not materially different from economical lives of those assets. If actual useful lives are different from estimations, financial statements may be materially different.

Climate-related matters

The potential impact of climate-related matters has been considered in the preparation of financial statements, including environmental legislations and commitments made by the Company which may affect the value of financial assets and liabilities. The long-term consequences of climate changes on financial statements are difficult to predict and require management to make significant assumptions and develop estimates. In many cases, the judgements applied refer to the recoverable amount of assets and useful lives of depreciable assets. This assessment includes a wide range of possible impacts on the Company due to both physical and transition risks. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic, and environmental responses to climate change. These risks are receiving increasing regulatory, political, and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

The Company believes that climate-related matters do not result in material uncertainty in estimates and assumptions underpinning any of the items in the financial statements. Even though climate-related

risks might not currently have a significant impact on measurement, the Company is closely monitoring relevant changes and developments, such as new climate-related legislation.

21 Financial instruments

21.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 3.

22 Financial risk management

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

Financial risk factors

a) *Market risk*

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Most of the Company's transactions are carried out in Armenian drams.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management translated into Armenian drams at the closing rate:

	2025	2024	2023	2022
Profit or loss	(3,192)		1,70	0,20

Item

As of 31 December 2024

	Russian ruble	US dollar
<i>Financial assets</i>		
Cash and cash equivalents	4	17
	4	17
<i>Financial liabilities</i>		
Trade and other payables	191,925	-
	191,925	-
Net position	(191,921)	17

Item

As of 31 December 2024

	US dollar
<i>Financial assets</i>	
Cash and cash equivalents	2
	2
<i>Financial liabilities</i>	
Trade and other payables	-
	-
Net position	2

The following table details the Company's sensitivity to a 10% (2024: 10%) increase and decrease in dram against US dollar. 10% (2024: 10%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2024: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Russian ruble by 10% (2024: 10%) then this would have had the following impact:

In thousand drams	Russian ruble impact		US dollar impact	
	2025	2024	2025	2024
Profit or loss	(19,192)	-	1.70	0.20

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

Interest rate risk

Loans and borrowings and lease liabilities received by the Company have fixed interest rate, therefore change in market interest rates has no significant effect on the Company's financial results.

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from financial assets, including cash and cash equivalents held at banks, trade and other receivables.

Since the Company does not have trade receivables the main source of credit risk are cash and cash equivalents. The Company manages this risk by placing its funds only in well-known and reputable banks.

In thousand drams	As of 31 December 2025	As of 31 December 2024
<i>Financial assets measured at amortized cost</i>		
Cash and cash equivalents	24,627	18,446
Total financial assets	24,627	18,446

Management believes that expected credit losses on funds held in banks are not significant and the level of credit risk is assessed as low.

c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations.

The Company's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related payments when those become due.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

23.1 Fair value measurement of financial instruments

The following table shows the levels within the fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis as of 31 December 2025 and 31 December 2024.

2025	Weighted average effective interest rate	Less				Total	Carrying amount
		than 6 months	6-12 months	1-2 years	2-5 years		
Trade payables		222,065	-	-	-	222,065	222,065
Lease liabilities	10.0%	137,211	133,253	190,270	204,982	665,716	578,091
Loans and borrowings	12.38%	79,778	41,671	43,318	97,794	262,561	222,337
		439,054	174,924	233,588	302,776	1,150,342	1,022,493

2024	Weighted average effective interest rate	Less				Total	Carrying amount
		than 6 months	6-12 months	1-2 years	2-5 years		
Trade payables		24,202	-	-	-	24,202	24,202
Lease liabilities	10.0%	123,401	130,544	210,083	130,789	594,817	583,094
Loans and borrowings	13.41%	53,446	39,401	71,149	23,471	187,467	164,463
		201,049	169,945	281,232	154,260	806,486	771,759

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources and trade receivables. The Company's cash resources and trade receivables exceed the current cash outflow requirements.

23 Fair value measurement

The Company provides an analysis of its assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These Levels are described below:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

23.1 Fair value measurement of financial instruments

The following table shows the Levels within the hierarchy of financial assets and financial liabilities measured at fair value on a recurring basis as of 31 December 2025 and 31 December 2024:

	As of 31 December 2025	Level 1	Level 2	Level 3
<i>Financial assets</i>				
Cash and cash equivalents	207,479	-	207,479	-
	207,479	-	207,479	-

	As of 31 December 2024	Level 1	Level 2	Level 3
<i>Financial assets</i>				
Cash and cash equivalents	150,386	-	150,386	-
	150,386	-	150,386	-

Financial instruments measured at fair value

For financial instruments such as cash, loan facilities, trade receivables and payables, the carrying amount is a reasonable approximation of fair value.

Lease liabilities are excluded from fair value disclosures in accordance with paragraph 29(d) of IFRS 7.

The fair value of loans and borrowings (Level 2) is estimated by discounting future cash flows using current market interest rates for similar financial instruments in the Republic of Armenia.

24 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern and provide adequate return to stakeholders.

The capital structure of the Company consists of equity comprising issued capital, reserves and accumulated profits and debt, which includes borrowings.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital using a ratio of "net debt" to "adjusted equity".

In thousand drams	As of 31 December 2025	As of 31 December 2024
Total equity	61,540	213,573
Add: subordinated loans	-	-
Less: cash and bank balances	(51,976)	(26,329)
Capital	9,564	187,244
Total equity	61,540	213,573
Loans and borrowings	222,337	164,463
Overall financing	283,877	378,036
Capital to overall financing ratio	29.68	2.02

25 Contingencies

25.1 Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Company does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Company property or relating to the Company operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Company's operations and financial position.

25.2 Taxes

The taxation system in Armenia is characterized by frequently changing legislation, which sometimes needs interpretations. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose fines and penalties.

These facts may create tax risks in Armenia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

25.3 Environmental matters

Management is of the opinion that the Company has met the Government's requirements concerning environmental matters and, therefore, believes that the Company does not have any current material environmental liabilities. However, environmental legislation in Armenia is in process of development and potential changes in the legislation and its interpretation may give rise to material liabilities in the future.

26 Related parties

The Company's related parties include its parent, key management and others.

26.1 Control relationships

The Company is controlled by Liana Martirosyan, who owns 100% of the Company's shares.

26.2 Transactions with related parties

During the reporting year the Company had the following transactions with the related parties and as of the reporting date had the following outstanding balances.

In thousand drams	Year ended 31 December 2025	Year ended 31 December 2024
Transactions		
Loans and borrowings received	75,095	-
Loans and borrowings repaid	112,740	19,675
Interest cost	373	357
Repayment of lease liabilities	1,200	968
Borrowings provided	47,152	178,220
Repayment of borrowings provided	34,940	41,850
In thousand drams	As of 31 December 2025	As of 31 December 2024
Outstanding balances		
Borrowings provided	23,623	146,786
Lease liabilities	3,500	4,327
Loans and borrowings	15,595	-

During 2025 and comparative period of 2023, the Company distributed cash to shareholders. As a result of the first-time adoption of IFRS and the retrospective application of IFRS 16 *Leases*, a portion of the distribution for the period exceeded the available retained earnings balance due to timing differences in the recognition of lease expenses.

Accordingly, the excess of the distribution, totaling drams 23,623 thousand, has been reclassified as a borrowing receivable from a shareholder. This amount includes adjustments for both the 2023 transition period and the 2025 reporting year. The borrowing is unsecured, interest-free and repayable on demand. The Company expects to repay the borrowing against future earnings when the impact of IFRS 16 on retained earnings is recovered.

26.3 Transactions with management and close family members

Directors of the Company and their close family members as of 31 December 2025 and 31 December 2024 had no significant shares in charter capital.

Key management received the following remuneration during the year.

In thousand drams	Year ended 31 December 2025	Year ended 31 December 2024
Salaries and bonuses	37,513	35,088