PURPLE TRADING

a trading name of

L. F. Investment Limited

Regulated by the Cyprus Securities and Exchange Commission License no. 271/15
Disclosure and Market Discipline Report 2024

April 2025

Contents

Introduction 1
1.1 Pillar III Regulatory Framework and Scope of Application 1
1.2 Investment Firm 2
1.3 Organizational Structure 2
1.4 Regulatory (Prudential) Supervision 3
2. Risk Management 4
2.1 Risk management objectives and policies 4
2.2 Risk Management Framework 4
2.3 Risk Statement 5
2.4 ICARA 7
3. Credit Risk 8
3.1 Definition 8
3.2 Risk identification, Measurement, Control and Reporting 8
4. Market Risk 9
4.1 Definition 9
4.2 Risk identification, Measurement, Control and Reporting 9
5. Operational Risk Management 10
5.1 Definition 10
5.2 Risk identification, Control and Reporting 10
5.3 Measurement 11
6. Liquidity Risk 11
6.1 Definition 11
6.2 Mitigation Strategies 11
7. Business Risk 12
7.1 Definition 12
7.2 Management and Control 13
8. Anti-Money Laundering and Terrorist Financing Risk 13
9. Fixed Overhead 13
10. IFR Risks and related requirements 14
10.1 Risk-to-Client (RtC) 15
10.2 Risk to Market 15
10.3 Risk-to-Firm (RtF) 16
11. Corporate Governance 16
11.1 Recruitment Policy 16

11.2 Board of Directors 16
11.3 Diversity Policy of the Board of Directors 17
11.4 Reporting and Control 17
12. Capital Adequacy 17
12.1 Regulatory Capital 17
12.2 Capital Ratio 18
12.3 Capital Management 18
13. Remuneration Policy and Practices 25
14. Environmental, Social and Governance Risks 26

Introduction

1.1 Pillar III Regulatory Framework and Scope of Application

The present report is prepared on an individual (solo) basis by L. F. Investment Limited (the "Company") a Cyprus Investment Firm ("CIF") authorized and regulated by the Cyprus Securities and Exchange Commission (the "CySEC", the "Commission") under the license number 271/15 in accordance with the disclosure requirements as laid out in Part Six of the IFR. Investment firms are required to disclose their capital resources, capital requirements, remuneration policies, practices and governance standards.

The Report has been prepared in accordance with the new regulatory regime for investment firms the European Parliament has adopted, the IFR and the IFD as well as the relevant provisions of the Law 165(I)/2021 "The Prudential Supervisions for Investment Firms Law of 2021" (the "Law") and the Law 164(I)/2021, amending Law 97(I)/2021, "The Capital Adequacy Investment Firms Law of 2021". The IFR establishes the prudential requirements in terms of own funds, level of minimum capital, concentration risk, liquidity requirements and level of activity with respect to small and non-interconnected investment firms. Furthermore, IFR introduced significant changes in the prudential regulatory regime applicable to Investment Firms including a new classification system, an amended minimum initial capital and minimum capital ratios, changes to the calculation of the capital requirements, the reporting requirements and the internal governance policies and the introduction of the K-Factors methodology and new measures relating to liquidity requirements, large exposures and consolidation requirements.

The regulatory framework comprises three pillars:

- **Pillar I-** Covers minimum capital and liquidity requirements.
- **Pillar II-** Regulates the investment firm's accountability to the regulator for capital and liquidity adequacy. If the regulator deems the capital to be insufficient, a corrective requirement can be imposed on the company in the form of what is known as a 'SREP decision'.
- **Pillar III-** Market Discipline requires the disclosure of information regarding the prudential requirements, risk management and principles of the remuneration policy.

The 2024 Pillar III Disclosures report sets out both quantitative and qualitative information required in accordance with Articles 46 to 53 of the IFR, which set the requirements of the disclosures.

The information contained in the Pillar III Market Discipline and Disclosure report is audited by the Firm's external auditors and published on the Company's websites at www.purple-trading.com on an annual basis.

Furthermore, the Board of Directors and the Senior Management have the overall responsibility for the internal control systems in the process of "Capital Adequacy and Risk Assessment" and they have established effective processes to ensure that the full spectrum of risks facing the Company is properly identified, measured, monitored and controlled to minimize adverse outcomes.

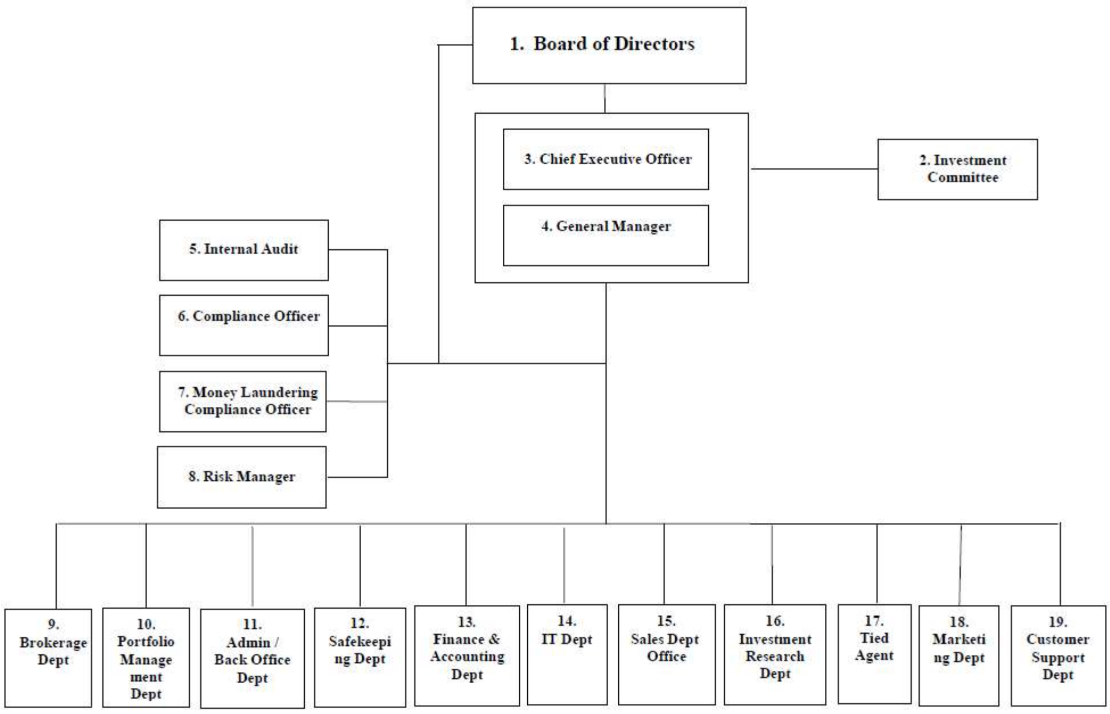
The Company's business effectiveness is presented and based on the guidelines of the risk management policies and procedures. The Board of Directors, Internal Audit, Risk Manager, Compliance and Anti-Money Laundering Officer control and supervise the overall risk system so that all units charged with risk management perform their roles effectively on a continuous basis.

1.2 Investment Firm

Corporate Information

Company Name	**L. F. Investment Limited**
CIF Authorization Date	**06/04/2015**
CIF license Number	**271/15**
Company Registration Date	**11/02/2014**
Company Registration Number	**329493**
Investment Services	
(a) Reception and transmission of orders in relation to one or more financial instruments	
(b) Execution of Orders on Behalf of Clients	
(c) Portfolio Management	
Ancillary Services	
(a) Safekeeping and administration of financial instruments, including custodianship and related services	
(b) Foreign exchange services where these are connected to the provision of investment services	
(c) Investment research and financial analysis or other forms	

1.3 Organizational Structure



1.4 Regulatory (Prudential) Supervision

The Investment Firms Directive (EU) 2019/2034 ("IFD") and the Investment Firm Regulation, Regulation (EU) 2019/2033 ("IFR") entered into force on 26 July 2021, introducing a new classification system for investment firms, based on their activities, systemic importance, size and interconnectedness. All investment firms are classified as Class 1, 2 or 3 Investment Firms.

Class 1 Investment Firms are the largest and most interconnected investment firms, with risk profiles similar to those of significant credit institutions, have equal treatment with credit institutions in the sense of a level playing field accordingly and they will fall entirely under the Regulation EU) No 575/2013 ("CRR").

Investment Firms categorized as Class 2 and Class 3 will have the most impact from the new prudential framework as, the capital requirements, reporting requirements and internal governance policies are subject to the provisions of IFR/IFD.

CIFs that meet all of the below criteria are categorized as Class 3 Investment Firms while when they exceed any of the following specific size thresholds, they are categorized as Class 2 Investment Firms.

No.	Metric	Thresholds
1.	Assets Under Management	**<€1.2 billion**
2.	Client orders handled – cash trades	**< €100 million per day**
3.	Client orders handled – derivative trades	**<€1 billion per day**
4.	Assets safeguarded and administered	**zero**
5.	Client money held	**zero**
6.	On- and off-balance sheet total	**< €100 million**
7.	Total annual gross revenue from investment services and activities	**< €30 million**

Further to the above, the Company is categorized as a Class 2 Investment Firm since it does not meet all of the above criteria and as such it should maintain own funds of at least the higher between:

A. Permanent minimum capital requirement

The permanent minimum capital requirement of the Company is €150k.

B. Fixed overhead requirements

The Fixed Overheads Requirement is calculated as one quarter (¼) of the previous year fixed expenses (based on audited figures).

C. K-Factors requirement

The new K-Factors are quantitative indicators that reflect the risk that the new prudential regime intends to address. Specifically, capital requirements from applying the K-factors formula (pursuant to Article 15 of the IFR) is the sum of Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF') proxies.

2. Risk Management

2.1 Risk management objectives and policies

To ensure effective risk management, the Company has adopted the Three Lines of Defence model, with clearly defined roles and responsibilities.

First Line of Defence: Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks so that they are operating within the organisational risk appetite and are fully compliant with the Company's policies and where appropriate defined thresholds. First Line of Defence acts as an early warning mechanism for identifying (or remedying) risks or failures.

Second Line of Defence – The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the Company's risk appetite and for devising the suite of policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. The Risk Management Function will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise-wide risks and make recommendations to address them. Integral to the mission of Second Line of Defence is identifying risk areas, detecting situations/activities in need of monitoring and developing policies to formalise risk assessment, mitigation and monitoring.

Third Line of Defence - Comprised by the Internal Audit Function which is responsible for providing assurance to the Board on the adequacy of design and operational effectiveness of the systems of internal controls. Internal Audit undertakes on-site inspections/visits to ensure that the responsibilities of each Function are discharged properly (i.e. soundly, honestly and professionally) as well as reviewing the Company's relevant policies and procedures. Internal Audit works closely with both the First and Second Lines of Defence to ensure that its findings and recommendations are taken into consideration and followed, as applicable.

2.2 Risk Management Framework

Managing risk effectively in a Company operating in a continuously changing risk environment requires a strong risk management culture. As a result, the Company has established an effective risk oversight structure and the necessary internal organizational controls to ensure that the Company undertakes the following:

• The adequate risk identification and management

• The establishment of the necessary policies and procedures

• The setting and monitoring of the relevant limits and

• Compliance with the applicable legislation

The Board meets on a regular basis and receives updates on risk and regulatory capital matters from management. The Board reviews regularly (at least annually) written reports concerning compliance, risk management and internal audit policies, procedures and work as well as the Company's risk management policies and procedures as implemented by Management.

As part of its business activities, the Company faces a variety of risks, the most significant of which are described further below.

2.3 Risk Statement

The Company's activities expose it to a variety of risks, and in particular to credit risk, market risk, operational risk, compliance risk, regulatory risk, reputational risk, group risk, strategic risk, liquidity risk, conduct risk etc. The Company, through its operations, has significant exposure to the economies and financial markets.

Furthermore, the year of 2024 continued to be rather unpredictable as a result of the geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these risk report for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The Israel-Gaza conflict has escalated significantly after Hamas launched a major attack on 7 October 2023. Companies with material subsidiaries, operations, investments, contractual arrangements or joint ventures in the War area might be significantly exposed. Entities that do not have direct exposure to Israel and Gaza Strip are likely to be affected by the overall economic uncertainty and negative impacts on the global economy and major financial markets arising from the war. This is a volatile period and situation, however, the Company is not directly exposed. Management will continue to monitor the situation closely and take appropriate actions when and if needed.

The impact on the Company largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

The Company has limited direct exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries.

Risk Strategy

The risk strategy of the Company is the responsibility of the Board, which formulates it and is responsible for monitoring its implementation. This is achieved through the development of risk management processes and procedures as well as through an assessment of the risks undertaken and the effectiveness of the risk management framework, given the Company's business model. One important characteristic of the Company's risk strategy is the alignment with the strategic and operational targets that are set by the Board.

The risks that arise from the implementation of the Company's strategic and business plans are regularly analyzed in order to ensure the adequacy of the relevant policies, procedures and systems. The risk strategy of the Company aims to provide to both Senior Management and employees a general risk framework for the management of the different types of risk in line with the overall risk management and risk bearing capacity of the Company. The Company recognizes the importance of risk management to its business' success and therefore the overall objective is to establish effective risk management policies that are able to mitigate the Company's exposure to the various risks.

Risk Appetite

Risk appetite is the level and type of risk a firm is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through both quantitative and qualitative means and should consider extreme conditions, events and outcomes. In addition, risk appetite should reflect potential impact on earnings, capital and funding/liquidity.The company has a low-risk appetite in respect to investing and to managing business and operational activities.

According to the Financial Stability Board (FSB), an appropriate risk appetite framework (RAF) should enable risk target, risk appetite, risk limits and risk profile to be considered for business lines and legal entities as relevant, and within the group context. The Risk appetite framework is defined as the overall approach, including policies, processes, controls, and systems through which risk appetite is established, communicated, and monitored. Moreover, it includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring the RAF. The RAF should consider material risks to the financial institution, as well as to the institution's reputation vis-à-vis policyholders, depositors, investors and customers. The RAF aligns with the institution's strategy.

The Company is assessing its risk appetite in respect to investing and to managing business and operational activities while the Company's Risk Appetite Statement is prepared by the Risk Manager and approved by the Board of Directors

The Risk Appetite framework has been designed to create links to the strategic long-term plan, capital planning and the Company's risk management framework. The Board approves the Company's corporate strategy, business plans, budget, long term plan and ICARA. The Company employs mitigation techniques defined within the Company's policies, to ensure risks are managed within its Risk Appetite.

Risk Culture

Risk culture is a critical element in the Company's risk management framework and procedures. Management considers risk awareness and risk culture within the Company as an important part of the effective risk management process. Ethical behavior is a key component of the strong risk culture and its importance is also continuously emphasized by the management. The Company is committed to embedding a strong risk culture throughout the business where everyone understands the risks they personally manage and are empowered and qualified to take accountability for them. The Company embraces a culture where each of the business areas are encouraged to take risk–based decisions, while knowing when to escalate or seek advice.

2.4 ICARA

IFR/IFD framework introduces a key change, launching the Internal Capital Adequacy & Risk Assessment ("ICARA") Process for the Companies, replacing the previously established ICAAP for quantifying the Companies exposure to risk and deriving their Capital Adequacy ratio, as well as to required level of initial capital.

The concept of the ICARA process, which is similar in some respects to the former ICAAP, with some key differences, to determine the Pillar II capital requirements. Much like the ICAAP process, the ICARA will need to demonstrate that adequate risk management has been undertaken by the firm. As part of the ICAAP, firms were expected to conduct an assessment against a specific list of risk categories. However, under the ICARA process, the focus has shifted more onto the Company's business model and its activities. From there it should identify, assess and estimate the potential harm to clients, to markets, and to the firm itself, as opposed to simply risks to the firm.

Under ICARA it is important to identify risks and potential harms and consider what could go wrong to the point of failure of the firm. Thus, Investment firms need to consider 'what-if' scenarios for the activities they undertake, the harm that can be caused and the events that led to that.

The assessment will need to factor in the likelihood of the events materializing, and that different events might occur at the same time. Companies also need to consider and account for other risks that can reduce the level of their own funds. This may require a more conceptual approach to assessing the risk than that which those familiar with the current ICAAP may be used to, as well as more time and input from senior management and those charged with a firm's governance.

The key stages of a Company's ICARA process should be as follows:

▪ Identify and monitor harms: Operate systems and controls to identify and monitor all material potential harm.

▪ Undertake harm mitigation: Consider and put in place appropriate financial and nonfinancial mitigants to minimize the likelihood of crystallization and/or impact of the material harm.

▪ Undertake business model assessment, planning and forecasting: Forecasting capital and liquidity needs, both on an ongoing basis and were they to have to wind-down.

This must include expected and stressed scenarios.

▪ Undertake recovery planning: Determine appropriate and credible recovery actions to restore own funds or liquid resources where there is a risk of breaching threshold requirements tied to specific intervention points.

▪ Undertake wind-down planning: Set out entity-level credible wind-down plans, including timelines for when and how to execute these plans.

▪ Assess the adequacy of own funds and liquidity requirements: Where, in the absence of adequately mitigating risks through systems

The ICARA report is approved by the Board every time is updated or amended. The Company applies its ICARA at a solo level and it is designed to be comprehensive and proportionate to the nature and level of the risks borne.

The information and data used for the analysis and identification of risks in the current report cover the period ending on 31st March 2024 and Audited Financial Statements of 2023 Enterprise Risks

3. Credit Risk

3.1 Definition

Credit risk corresponds to the risk of losses arising from the inability of the Company's customers, issuers or other counterparties to meet their financial commitments. It mainly arises by the Company's deposits in credit and financial institutions and by assets held from debtors or prepayments made.

Although the capital requirement of Credit Risk has been essentially removed from the own funds requirement reporting under IFR, the company continues to consider Credit Risk as a key risk category under its broader risk management approach and it follows various credit risk mitigation strategies in order to minimize the possibility of occurrence of this risk, such as:

• All Client funds are held in segregated accounts, separated from Company's funds.

• The Company maintains regular credit review of counterparties, identifying the key risks faced and reports them to the Board of Directors, which then determines the firm's risk appetite and ensures that an appropriate amount of capital is maintained.

• In order to maintain its Credit risk to the minimum, the Company is using EU credit institutions for safekeeping of funds and always ensures that the banks it cooperates with have high ratings based on top credit rating agencies (Moody's, S&P or Fitch), it frequently monitors their compliance with the EU regulatory framework and diversifies the funds over several credit institutions thus mitigating the risk exposure efficiently.

Further to the above, the Company has policies to diversify credit risk and to limit the amount of credit exposure (concentration risk) to any counterparty, at all times.

3.2 Risk identification, Measurement, Control and Reporting

Although the capital requirement of Credit Risk has been essentially removed from the own funds requirement reporting under IFR, the company continues to consider Credit Risk as a key risk category under its broader risk management approach and it follows various credit risk mitigation strategies in order to minimize the possibility of occurrence of this risk.

Credit Risk arises when failures by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets in hand, at the balance sheet date. The Company's Credit Risk arises:

- By the Company's deposits in Financial institutions;
- By assets mainly held under the Investor's Compensation Fund, debtors or prepayments.

The Company follows mitigation strategies in order to minimize the possibility of occurrence of this risk, such as:

- The Company maintains Regular credit review of counterparties, identifying the key risks faced and reports them to the BoD, which then determines the Company's risk appetite and ensures that an appropriate amount of capital is maintained.
- In order to maintain its Credit Risk to the minimum, the Company is using EU equivalent credit institutions for safekeeping of funds, it frequently monitors their compliance with the EU regulatory framework and diversifies the funds over several credit institutions thus mitigating the risk exposure efficiently .

4. Market Risk

4.1 Definition

Market Risk is the risk of losses when the value of investments may decline over a given time period as a result of economic changes or events that impact a large portion of the market. In the context of Pillar I, Market Risk can be divided in the following categories:

Position Risk: It refers to the probability of loss associated with a particular trading (long or short) position due to price changes.

Interest Rate Risk: The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Commodities Risk: It refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. These commodities may be oil, metals, gas, electricity etc.

Foreign Exchange Risk: It is a financial risk that exists when a financial transaction is denominated in a currency other than the base currency of the Company. The foreign exchange risk in the Company is effectively managed by the establishment and control of foreign exchange limits, such as through the establishment of maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis.

4.2 Risk identification, Measurement, Control and Reporting

As the Company does not have the license to trade on own account, this exposure is limited to the balance sheet exposure derived from monetary assets and liabilities denominated in currencies other than its reporting currency (the euro).

The Company monitors its market risk exposures regularly and additionally reports them on a quarterly basis to CySEC, as per the Net Position Risk (NPR) method of the K-Factor Requirement of IFR (see the next section for more information).

5. Operational Risk Management

5.1 Definition

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. It includes legal and compliance, as well as environmental risks.

The following list presents some event types, included in Operational Risk, with some examples for each category:

- Internal Fraud - misappropriation of assets, tax evasion, intentional mismarking of positions, bribery and theft of the CRM from departing employees.
- External Fraud - theft of information, hacking damage, third-party theft and forgery.
- Compliance - Brand impairment, Complaint handling, third country regulator retaliation, E-commerce global taxation matters
- Clients, Products and Business Practice - market manipulation, asymmetrical slippage, antitrust, improper trade, product defects, fiduciary breaches.

5.2 Risk identification, Control and Reporting

In order to control the exposure to Operational Risks, the management has established two key objectives:

- To minimize the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses)
- To improve the effective management of the Company.

The Company recognizes that the control of Operational Risk is directly related to effective and efficient management practices and high standards of corporate governance.
To that effect, the management of Operational Risk is geared towards:

- Maintaining a strong internal control governance framework.
- Managing Operational Risk exposures through a consistent set of processes that drive risk identification, assessment, control and monitoring.

The Company implements the below Operational Risk Mitigation Strategies in order to minimize its Operational Risk Exposure:
The development of Operational Risk awareness and culture.

- The provision of adequate information to the Company's management, in all levels, in order to facilitate decision making for risk control activities
- The implementation of a strong system of internal controls to ensure that operational losses do not cause material damage to the Company and have a minimal impact on profitability and objectives.

- The improvement of productivity, efficiency and cost effectiveness, with an objective to improve customer service and protect shareholder value.
- Established a "four-eyes" structure and board oversight. This structure ensures the separation of power regarding vital functions of the Company namely through the existence of a Senior Management and a Risk Management. The board further reviews any decisions made by the Management while monitoring their activities;
- Detection methods are in place in order to detect fraudulent activities; Comprehensive business contingency and disaster recovery plan.

The Senior Management employ specialized tools and methodologies to identify, assess, mitigate and monitor Operational Risk. These specialized tools and methodologies assist Operational Risk management to address any control gaps. To this effect, the following are implemented:

- Incident collection
- Key Risk Indicators
- Business Continuity Management
- Training and awareness

5.3 Measurement

For the calculation of operational risk in relation to the new capital adequacy reporting under IFR the Company uses the Fixed Overhead Requirement.

6. Liquidity Risk

6.1 Definition

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations as they fall due. In periods of abnormal fluctuations in market conditions or financial crisis, Liquidity Risk can expose the Company to a shortfall of liquidity and limit its access to the capital markets resulting in damages. Liquidity shortages expose the Company to the risk of not having enough cash to fulfil its duties against creditors/debtors that can eventually cause regulatory sanctions and loss of business/reputation.

6.2 Mitigation Strategies

To minimize its exposure to Liquidity Risk, the Company implements the below Liquidity Risk Mitigation Strategies:

- Regular analysis and reporting to the BoD on the funding needs of the Company.
- Monitoring of the Company's exposures and diversification to avoid rise of concentration risk as per the internal policies.
- Cash Management.

The table below shows the Firm's liquidity requirement as at 31/12/2024 pursuant to IFR:

	Amount EUR'000
Liquidity Requirement	140
Client guarantees	
Total liquid assets	1,127
Unencumbered short term deposits	
Total eligible receivables due within 30 days	
Level 1 assets	1,127
Coins and banknotes	1,127
Withdrawable central bank reserves	
Central bank assets	
Central government assets	
Regional government/local authorities assets	
Public Sector Entity assets	
Recognisable domestic and foreign currency central government and central bank assets	
Credit institution (protected by Member State government, promotional lender) assets	
Multilateral development bank and international organizations assets	
Extremely high quality covered bonds	
Level 2A assets	-
Regional government/local authorities or Public Sector Entities assets (Member State, RW20 %)	
Central bank or central/regional government or local authorities or Public Sector Entities assets (Third Country, RW20 %)	
High quality covered bonds (CQS2)	
High quality covered bonds (Third Country, CQS1)	
Corporate debt securities (CQS1)	
Level 2B assets	-
Asset-backed securities	
Corporate debt securities	
Shares (major stock index)	
Restricted-use central bank committed liquidity facilities	
High quality covered bonds (RW35 %)	
Qualifying CIU shares/units	
Total other eligible financial instruments	

7. Business Risk

7.1 Definition

Business risk reflects the risk of direct or indirect loss, or damaged reputation as a result of changes in external circumstances or events. Business risk includes all risks not mentioned under other risks.

The key business risks are identified as part of the Company's budgeting process. The outcome of this process forms the basis for the sensitivity analysis applied on net income. Business risk is covered by the budgeted income. However, if the income is not sufficient, capital must explicitly be set aside.

7.2 Management and Control

Throughout the year the Company's performance was being evaluated to determine whether capital needed to be set aside.

8. Anti-Money Laundering and Terrorist Financing Risk

Money laundering and terrorist financing risk mainly refers to the risk where the Company may be used as a vehicle to launder money and/or assist/involved in financing terrorism. The Company has in place policies, procedures and controls in order to mitigate the money laundering and terrorist financing risks. Among others, these policies, procedures and controls include the following:

• A risk-based approach that involves specific measures and procedures in assessing, identifying and managing the Money Laundering and Terrorist Financing risks faced by the Company.

• Adequate Client due diligence and identification procedures.

• Minimum standards of quality of the required identification data for each type of Client (e.g. documents from independent and reliable sources, third party information).

• Obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth.

• Monitoring and reviewing the business relationship with clients and potential clients of high-risk countries.

• Ensuring that the Company's personnel receive the appropriate training and assistance The Company is frequently reviewing its policies, procedures and controls with respect to money laundering and terrorist financing to ensure top level compliance with the applicable legislation.

9. Fixed Overhead

Fixed Overhead Risk is the risk that the Company does not hold sufficient eligible capital to accommodate fluctuations in a firm's levels of business. The Company, following the implementation of IFR is required to report its Fixed Overhead which essentially substitutes the CRR operational risk and which is calculated as a quarter of the fixed overheads of the preceding year.

The table below indicates the calculations used for the Company's reporting as at 31/12/2024:

	Amount
Fixed Overhead Requirement	419
Annual Fixed Overheads of the previous year after distribution of profits	1,678
Total expenses of the previous year after distribution of profits	2,199
Of which: Fixed expenses incurred on behalf of the investment firms by third parties	
(-)Total deductions	-521
(-)Staff bonuses and other remuneration	-6
(-)Employees', directors' and partners' shares in net profits	
(-)Other discretionary payments of profits and variable remuneration	
(-)Shared commission and fees payable	
(-)Fees, brokerage and other charges paid to CCPs that are charged to customers	
(-)Fees to tied agents	-515
(-)Interest paid to customers on client money where this is at the firm's discretion	
(-)Non-recurring expenses from non-ordinary activities	
(-)Expenditures from taxes	
(-)Losses from trading on own account in financial instruments	
(-)Contract based profit and loss transfer agreements	
(-)Expenditure on raw materials	
(-)Payments into a fund for general banking risk	
(-)Expenses related to items that have already been deducted from own funds	
Projected fixed overheads of the current year	
Variation of fixed overheads (%)	-100.00%

10. IFR Risks and related requirements

The introduction of IFR, brought significant changes in the way investment firms calculate their capital requirements. As such our Firm has created a separate policy in avoid mixing risks arising from the Company’s operations (i.e. Enterprise risks as these are presented in the section above) with risks arising from the revised capital requirements framework, presented below alongside, the rest of the “non-risk” capital requirements.

In line this this, the risks under IFR are collectively refer to as K-Factors. K-Factor requirements (KFR), is a methodology recommended by the European Banking Authority, in order to capture the range of risks which an investment firm is exposed to.

The K-factors essentially replace the CRR credit, market and operational risk approach in order to better calibrate the capital needed to meet the risks of the investment firm.

Broadly speaking, K-factors are quantitative indicators or factors which represent the risks that an investment firm can pose to customers, market/liquidity and the firm itself. There are three K-factor groups:

10.1 Risk-to-Client (RtC)

The K-factors under RtC capture client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH).

As at 31/12/2024, the Company was exposed to:

K-factor	K-factor requirement
K-AUM	**-**
K-CMH	**55**
K-ASA	**-**
K-COH	**14**

10.2 Risk to Market

Risk-to-Market (RtM) The K-factor under RtM captures net position risk (K-NPR) in accordance with the market risk provisions of CRR or, where permitted by the competent authority for specific types of investment firms which deal on own account through clearing members, based on the total margins required by an investment firm's clearing member (K-CMG).

As the Company does not have the license to trade on own account, this exposure is limited to the balance sheet exposure derived from monetary assets and liabilities denominated in currencies other than its reporting currency (the euro). The Company regularly analyses its currency groups by netting each currency's cash balances with the respective client liabilities. If the net position of a currency group is in deficit, funds from a currency group that is in surplus may be converted and transferred to bring the deficit currency group into surplus.

As at 31/12/2024, the Company was exposed to:

K-factor	K-factor requirement
K-NPR	**103**
K-CMG	**-**

10.3 Risk-to-Firm (RtF)

The K-factors under RtF capture an investment firm's exposure to the default of their trading counterparties (K-TCD) in accordance with simplified provisions for counterparty credit risk based on CRR, concentration risk in an investment firm's large exposures to specific counterparties based on the provisions of CRR that apply to large exposures in the trading book (K-CON), and operational risks from an investment firm's daily trading flow (K-DTF). The Company is not subject to K-RtF since it does not deal on its own account.

11. Corporate Governance

11.1 Recruitment Policy

Members of the Board possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board reflects an adequately broad range of experiences to be able to understand the CIF's activities, including the main risks to ensure the sound and prudent management of the Company as well as sufficient knowledge, of the legal framework governing the operations a CIF. The Board of Directors is responsible for the final approval on the recruitment of Board members.

11.2 Board of Directors

The Board of Directors is comprised of 2 executive directors,1 non-executive director and 2 independent non-executive directors.

Name of Directors	Function	Number of Directorships in other entities
Jan Roh	Executive Director	-
Adam Dulovec	Executive Director	-
Jakub Nytra	Non-Executive Director	-
Christos Taliadoros	Independent Non-Executive Director	1
Nikos Efstathiou	Independent Non-Executive Director	1

11.3 Diversity Policy of the Board of Directors

The Company embraces diversity as it recognizes the benefits of having Board which makes use of differences in the skills, experience, knowledge, background, race and gender between directors. When recruiting members for the Board, diversity in its members is seriously taken into account for forming the optimal composition of the Board.

11.4 Reporting and Control

In line with the requirements set out in the Law and subsequent Directives, the Company has been able to maintain a good information flow on risk to the management body, as can be seen below:

Report Name	Owner	Recipient	Frequency
Compliance Report	**Compliance Officer**	**BoD, CySEC**	**Annually**
Internal Audit Report	**Internal Auditor**	**BoD, CySEC**	**Annually**
Risk Management Report	**Risk Manager**	**BoD, CySEC**	**Annually**
Risk Register	**Risk Manager**	**BoD**	**Annually**
Anti-Money Laundering Report	**Anti-Money Laundering Compliance Officer**	**BoD, CySEC**	**Annually**
Pillar III Disclosures (Market Discipline and Disclosure)	**Risk Manager**	**BoD, CySEC, Public**	**Annually**
Financial Reporting	**External Auditor**	**BoD, CySEC**	**Annually**
ICARA Report	**Risk Manager**	**BoD, CySEC**	**Annually**
Capital Adequacy Reporting	**Risk Manager**	**Senior Management, CySEC**	**Quarterly**

12. Capital Adequacy

Capital management and adequacy of liquid funds is a paramount priority for the Company. The Company, continuously monitors its capital reserves and risk exposures. This is currently performed in accordance with the Investment Firms Regulation (IFR).

12.1 Regulatory Capital

In line with the International Financial Reporting Standards (IFRS) and IFR, the Company's regulatory capital mainly consists of Common Equity Tier 1 Capital, composed primarily of ordinary shares and related share premium accounts and retained earnings.

In some cases, additional capital tiers can come into force such as the Tier 2 Capital which could introduce the use of loans to support the business and operational capital. Such loans are highly regulated and are always subordinated to other claims.

12.2 Capital Ratio

The capital (adequacy) ratio is a key metric for a financial institution and is calculated by comparing the institutions' own funds with the highest of the three Capital Requirements (K-Factor Requirement, Fixed Overhead Requirement and Permanent Minimum Capital Requirement) as mentioned in IFR Risks and related requirements section. The calculations always follow a strict set of rules as defined by IFR. The minimum Total Capital Ratio that must be maintained at all times is 100%.

As at 31/12/2024, the Company had a Total Capital Ratio of 274%.

12.3 Capital Management

As part of managing its capital, the Company ensures that its solvency level is always compatible with the following objectives:

• Maintaining its financial solidity and respecting the Risk Appetite targets

• Adequate allocation of capital among the various business lines according to the Company's strategic objectives

• Maintaining the Company's resilience in the event of stress scenarios

• Meeting the expectations of the regulator and shareholders

The Company determines its internal capital adequacy thresholds in accordance with the above and the Senior Management is tasked to monitor the capital on a constant basis. Further to the above, the Company is obligated to calculate and report its capital adequacy on a quarterly basis to the Cyprus Securities and Exchange Commission (the "CySEC").

As at 31st of December 2024, the Company's eligible Own Funds consisted of the following:

	31 December 2024 (€000s)
CET 1 Capital	1,151
Additional Tier 1 Capital	-
Tier 1 Capital	1,151
Tier 2 Capital	-
Total Own Funds	1,151
Permanent minimum capital requirement	150
Total K-Factor requirement	240
Fixed Overhead requirement	419
Total Own Funds requirement	**419**
CET 1 Ratio	**274%**
Tier 1 Ratio	**274%**
Own Funds Ratio	**274%**

EU IF CC1.01 - Composition of regulatory own funds (Investment firms other than small and non- interconnected)

	Amounts €'000s	Source based on reference numbers/letters of the balance sheet in the audited financial statements
Common Equity Tier 1 (CET1) capital: instruments and reserves		
OWN FUNDS	1,151	N/A
TIER 1 CAPITAL	1,151	N/A
COMMON EQUITY TIER 1 CAPITAL	1,151	N/A
Fully paid up capital instruments	716	SC
Share premium	1,558	SP
Retained earnings	-4,981	RE
Accumulated other comprehensive income	0	N/A
Other reserves	4,338	OR
Minority interest given recognition in CET1 capital	0	N/A
Adjustments to CET1 due to prudential filters	0	N/A
Other funds	0	N/A
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-324	N/A
(-) Own CET1 instruments	0	N/A
(-) Direct holdings of CET1 instruments	0	N/A
(-) Indirect holdings of CET1 instruments	0	N/A
(-) Synthetic holdings of CET1 instruments	0	N/A
(-) Losses for the current financial year	-324	LCFY
(-) Goodwill	0	N/A
(-) Other intangible assets	0	N/A
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0	N/A

(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	0	N/A
(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	0	N/A
(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	0	N/A
(-) CET1 instruments of financial sector entities where the institution has a significant investment	0	N/A
(-)Defined benefit pension fund assets	0	N/A
(-) Other deductions	0	N/A
CET1: Other capital elements, deductions and adjustments	-156	N/A
ADDITIONAL TIER 1 CAPITAL	0	N/A
Fully paid up, directly issued capital instruments	0	N/A
Share premium	0	N/A
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	N/A
(-) Own AT1 instruments	0	N/A
(-) Direct holdings of AT1 instruments	0	N/A
(-) Indirect holdings of AT1 instruments	0	N/A
(-) Synthetic holdings of AT1 instruments	0	N/A
(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	0	N/A
(-) AT1 instruments of financial sector entities where the institution has a significant investment	0	N/A
(-) Other deductions	0	N/A
Additional Tier 1: Other capital elements, deductions and adjustments	0	N/A
TIER 2 CAPITAL	0	N/A
Fully paid up, directly issued capital instruments	0	N/A
Share premium	0	N/A
(-) TOTAL DEDUCTIONS FROM TIER 2	0	N/A
(-) Own T2 instruments	0	N/A

(-) Direct holdings of T2 instruments	0	N/A
(-) Indirect holdings of T2 instruments	0	N/A
(-) Synthetic holdings of T2 instruments	0	N/A
(-) T2 instruments of financial sector entities where the institution does not have a significant investment	0	N/A
(-) T2 instruments of financial sector entities where the institution has a significant investment	0	N/A
Tier 2: Other capital elements, deductions and adjustments	0	N/A

EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financialstatements

	Balance sheet as in audited figures 31 December 2024 €' 000	Under regulatory scope of consolidation 31 December 2024 €' 000	Cross reference to EU IF CC1
Assets - Breakdown by asset classes			
Non-current assets	86	N/A	FA
Cash, cash balances at central banks and other demand deposits	1,563	N/A	CA
Current assets	1,563	N/A	CA
Total Assets	1,649	N/A	TA
Liabilities - Breakdown by liability classes			
Other liabilities	342	N/A	N/A
Total Liabilities	342	N/A	N/A
Shareholders' Equity			
Ordinary share capital	716	N/A	SC

Share Premium	1,558	N/A	SP
Other Reserves	4,338	N/A	
Retained earnings	-5,305	N/A	ORREN/A
Total Shareholders' equity	1,307	N/A	

EU IF CCA: Own funds: main features of own instruments issued by the firm

Issuer	Company
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for privateplacement)	N/A
Public or private placement	Private
Governing law(s) of the instrument	Cyprus Companies Law
Instrument type (types to be specified by each jurisdiction)	Ordinary shares
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	EUR0.715
Nominal amount of instrument	EUR1.00
Issue price	EUR1.00
Redemption price	N/A
Accounting classification	Ordinar y share capital
Original date of issuance	11/02/2 014
Perpetual or dated	N/A
Original maturity date	N/A
Issuer call subject to prior supervisory approval	N/A
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
Coupons / dividends	N/A
Fixed or floating dividend/coupon	N/A

Coupon rate and any related index	N/A
Existence of a dividend stopper	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
Existence of step up or other incentive to redeem	N/A
Noncumulative or cumulative	N/A
Convertible or non-convertible	N/A
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Write-down features	N/A
If write-down, write-down trigger(s)	N/A
If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Non-compliant transitioned features	N/A
If yes, specify non-compliant features	N/A
Link to the full term and conditions of the instrument (signposting)	N/A

EU IF CCA: Own funds: main features of own instruments issued by the firm

Issuer	Company
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
Public or private placement	Private
Governing law(s) of the instrument	Cyprus Companies Law

Instrument type (types to be specified by each jurisdiction)	Ordinary shares issued at apremium
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	EUR1.558
Nominal amount of instrument	EUR1.00
Issue price	EUR
Redemption price	N/A
Accounting classification	Share premium
Original date of issuance	21/11/2017
Perpetual or dated	N/A
Original maturity date	N/A
Issuer call subject to prior supervisory approval	N/A
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
Coupons / dividends	N/A
Fixed or floating dividend/coupon	N/A
Coupon rate and any related index	N/A
Existence of a dividend stopper	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
Existence of step up or other incentive to redeem	N/A
Noncumulative or cumulative	N/A
Convertible or non-convertible	N/A
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A

If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Write-down features	N/A
If write-down, write-down trigger(s)	N/A
If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Non-compliant transitioned features	N/A
If yes, specify non-compliant features	N/A
Link to the full term and conditions of the intrument (signposting)	N/A

13. Remuneration Policy and Practices

Remuneration refers to payments or compensations received for services or employment. Based on the above, the Remuneration policy includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment and shall be appropriate to the Company's size, internal organization and the nature, the scope and the complexity of its activities to the provisions of the Directive DI144-2014-14.

During 2024 the Company's remuneration system is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management, members of the BoD and the Heads of the departments; the said practices are established to ensure that the rewards for the 'executive management' provide the right incentives to achieve the key business aims.

The total remuneration of staff consists of fixed components. Fixed and variable components are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

The table below presents the annual remuneration for 2024, of the members of the Board of Directors.

2024	Executive Directors	Non-Executive Directors
Fixed Reward	€142,000	€14,030
Variable Reward	-	-

Total	**€142,000**	**€14,030**
Number of beneficiaries	3	2

14. Environmental, Social and Governance Risks

From 26 December 2022, investment firms shall disclose information on environmental, social and governance risks (ESG risks), including physical risks and transition risks, as defined in the EBA's report referred in Article 35 of the IFD. The information on ESG shall be disclosed once in the first year and biannually thereafter.

Investment Firms which meet the criteria of Paragraph 26(8)(a) of the Law, whose on-and-off balance sheet assets on average over the 4 year period are less than €100m are exempted from the disclosure of information on environmental, social and governance risks, including physical risks and transition risks as per Article 35 of IFD.

The Company's average on and off-balance sheet assets for the preceding four-year period are less than €100m and as such it meets the criteria of the paragraph 26(8) of the Law. Therefore, the Company is exempted from the disclosures requirement regarding ESG.