Financial statements and Independent Auditor's Report

“ORIFLAME COSMETICS” LIMITED LIABILITY COMPANY

31 December 2024

Contents

MELIKYANS & CO

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Independent auditor's report

To the shareholder of "Oriflame Cosmetics" Limited Liability Company

Opinion

We have audited the financial statements of "Oriflame Cosmetics" Limited Liability Company (the "Company"), which comprise the statement of financial position as of 31 December 2024, 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 qualified 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.

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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.

Robert Melikyan, ACCA

Director

Managing Partner

23 June 2025

Statement of financial position

In thousand drams	Note	As of 31 December 2024	As of 31 December 2023
Assets			
Non-current assets			
Fixed assets	4	56,354	171,682
Intangible assets	5	18,396	21,109
		74,750	192,791
Current assets			
Inventories	6	171,463	181,498
Trade and other receivables	7	25,787	339,181
Cash and cash equivalents	8	166,805	57,889
		364,055	578,568
Total assets		438,805	771,359
Equity and liabilities			
Capital and reserves	9		
Charter capital		50	50
Accumulated profit		349,567	377,850
		349,617	377,900
Non-current liabilities			
Lease liabilities	10	-	11,913
		-	11,913
Current liabilities			
Trade and other payables	11	75,385	360,678
Deferred income tax liabilities	20	1,890	1,120
Lease liabilities	10	11,913	19,748
		89,188	381,546
		89,188	393,459
Total equity and liabilities		438,805	771,359

The financial statements were approved on 23 June 2025 by:

Chief Executive Officer	Petr Kochnev
Chief accountant	Haykanush Manukyan

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 9 to 32.

Statement of profit or loss and other comprehensive income

In thousand drams	Note	2024	2023
Revenue	12	1,630,007	1,705,820
Cost of sales	13	(771,729)	(785,852)
Gross profit		858,278	919,968
Other income	14	9,195	74,918
Distribution and marketing expenses	15	(561,720)	(606,460)
Administrative expenses	16	(313,092)	(299,385)
Other expenses	17	(6,186)	(15,276)
Profit/(Loss) from operating activities		(13,525)	73,765
Net finance income/(cost)	18	139	(2,715)
Gain/(Loss) from exchange differences	19	5,965	(4,867)
Profit/(Loss) before income tax		(7,421)	66,183
Income tax expense	20	(20,862)	(9,443)
Profit/(Loss) for the year		(28,283)	56,740
Total comprehensive income for the year		(28,283)	56,740

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 9 to 32.

Statement of changes in equity

In thousand drams	Charter capital	Accumulated profit	Total
As of 1 January 2023	50	321,110	321,160
Profit for the year	-	56,740	56,740
Total comprehensive income for the year	-	56,740	56,740
As of 31 December 2023	50	377,850	377,900
Profit for the year	-	(28,283)	(28,283)
Total comprehensive income for the year	-	(28,283)	(28,283)
As of 31 December 2024	50	349,567	349,617

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 9 to 32.

Statement of cash flows

In thousand drams	Note	2024	2023
Cash flows from operating activities			
Cash received from clients		2,071,957	2,077,887
Other entries from operating activities		2,460	3,294
Payments to suppliers		(1,499,227)	(1,532,785)
Compensations to employees		(145,826)	(166,540)
Taxes		(246,099)	(431,798)
Other payments		(11,764)	(17,152)
Net cash (used)/received from operating activities		171,501	(67,094)
Cash flows from investing activities			
Acquisition of fixed assets		(372)	(28,434)
Disposal of fixed assets		(62,885)	-
Net cash used in investing activities		(63,257)	(28,434)
Net increase/(decrease) in cash and bank balances		108,244	(95,528)
Foreign exchange effect on cash		672	1,968
Cash and bank balances at the beginning of the year		57,889	151,449
Cash and bank balances at the end of the year	8,28	166,805	57,889

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 9 to 32.

Notes to the financial statements

1 Nature of operations and general information

The Company was registered on 25 December 2002 by the Ministry of Justice of Armenia, Arabkir district, according to board minutes dated 01 November 2002. The Company is profit oriented (Commercial) legal entity, which is established and operates under RA Constitution, the Civil Code, "Limited Liability Company" law, other legal acts and the charter.

The purpose of the establishment of the company is to make a profit through economic activities. In order to achieve its goals, the company is engaged in the retail sale of cosmetics and other items.

The legal address of the company is Kajaznuni 20, Yerevan, RA.

The average number of employees of the Company are 26 in 2024 (34 employees in 2023).

Business environment

The company operates in Armenia, therefore the financial market and economic environment of Republic of Armenia which are typical to developing market, has influence over company's operation. The development of the legal, tax and legislative systems in Armenia have continuing nature, but can have different interpretations and are subject to frequent changes, which, along with other legal and financial obstacles, create difficulties for companies operating in Armenia.

The Russian-Ukrainian war (since February 2022) has had a significant impact on both the conflicting countries and the global economy, leading to the humanitarian crisis and huge economic losses in Ukraine, Russia, and other countries.

Even though there are difficult challenges, Armenia's economy continues to resist due to the macroeconomic policies and appropriate actions continuously implemented by the Government of Armenia and the Central Bank of Armenia. The economy of RA continued to grow in 2024, although the growth dynamics have relatively decreased.

Financial statements reflect the management assessment about the impact of the Armenian business environment on the operation and financial position of the Company. The management of the Company continuously analyzes the economic situation in the current environment. Future economic and political situation and their impact on the operation of the Company may differ from management assessment.

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 the historical cost basis with the exception of certain financial instruments that are stated at fair value.

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 (unless otherwise stated), 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.

2.5 Adoption of new and revised standards

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

Management anticipates that all of the pronouncements will be adopted in the Company’s accounting policy for the first period beginning after the effective date of the pronouncement

Management anticipates these changes will not have a material impact on the Company's financial statements and are presented below.

- Amendments to IFRS 16. Lease liability in sale and return transactions
- Amendments to IAS 1. Classification of liabilities as current or non-current
- IFRS 18. Presentation and disclosure of financial statements
- Lack of Exchangeability - Amendments to IAS 21
- Amendments to the classification and measurement of financial instruments
- Amendments to IFRS 9 and IFRS 7 standards

3 Significant 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,

	2024	2023
USD	396.56	404.79
EUR	413.89	447.90
RUR	3.71	4.50

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 the result for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the result 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 net assets. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in net assets.

The assets and liabilities of the Company are translated from dram into another currency at the exchange rate at the end of the reporting period. Income and expenses are translated into another currency using average rate for the period.

3.2 Fixed assets

Fixed assets are stated in the statement of financial position at their historic cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of fixed asset comprises, major components having different useful lives, they are accounted for as separate items of fixed asset.

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. Buildings that are leasehold property are also included in fixed assets if they are held under a finance lease. Such assets are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, if shorter.

The gain or loss arising on the disposal or retirement of an item of fixed assets 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 fixed assets 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:

Capital investments on leasehold assets	- 20 Years
Machinery	- 10 Years
Vehicles	- 10 Years
Transmitting devices	- 10 Years
Computers	- 1 Years
Office supplies	- 10-20 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 below

Software	- 1-10 Years
License	legally enforceable time

3.4 Leased assets

The Company as a lessee

The company enters into lease agreements mainly for warehouse space and for the company's administrative staff. The company does not enter into sale and leaseback contracts.

The company considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the 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.

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. The Company also assesses the right-of-use asset for impairment when such indicators exist.

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.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in Fixed assets and lease liabilities have been included in trade and other payables.

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.

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. A summary of the Company's financial assets by category is given in note 22.2.

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.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

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.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables using simplified approach under IFRS 9 according to which the impairment ratio is based on the Company's historical loss rates, adjusted for expected future events.

The Company recognizes the impairment of receivables at the rates below, which may be subsequently changed as a result of subsequent impairment of receivables.

Overdue days of trade and other receivables	Impairment %
Up to 90 days	10%
91-180 days	20%
181-270 days	50%
Over 271 days	100%

Classification and measurement of financial liabilities

The Company's financial liabilities include loans and borrowings, trade and other payables. A summary of the Company's financial liabilities by category is given in note 22.2.

Trade and other payables

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

3.7 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.

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.

Accumulated profit includes all current and prior period retained profits.

All transactions with owners are recorded separately within equity.

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

3.9 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 of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.10 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.

3.11 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) wages paid on a civil contractual basis

3.12 Revenue

IFRS 15 “Revenue from Contracts with Customers” specifies how and when the Company will recognize revenue in the amount in which the Company expects that the amount of goods or services provided to customers under the contract will be received or collected by the Company.

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 the Company satisfies performance obligations by transferring the promised goods or services to its customers.

4 Fixed assets

In thousand drams	Capital investments on leasehold assets	Transmitting devices	Computer equipment	Machinery	Vehicles	Office supplies	Right-of-use assets	Total
Cost								
as of 1 January 2023	123,999	10,998	-	125,779	24,205	99,695	99,706	484,382
Additions	5,507	-	-	22,927	-	-	-	28,434
Disposals	-	-	-	(22,946)	-	(2,286)	-	(25,232)
Adjustment from remeasurement	-	-	-	-	-	-	(33,989)	(33,989)
as of 31 December 2023	129,506	10,998	-	125,760	24,205	97,409	65,717	453,595
Additions	-	372	-	-	-	-	-	372
Disposals	-	(100,424)	(16,357)	-	(14,815)	(12,441)	-	(144,037)
Movement	(129,506)	118,867	91,604	(73,154)	-	(7,811)	-	-
as of 31 December 2024	-	29,813	75,247	52,606	9,390	77,157	65,717	309,930
Accumulated depreciation								
as of 1 January 2023	43,418	10,501	-	103,944	7,513	68,816	96,032	330,224
Charge for the year	6,361	28	-	20,020	2,421	6,806	37,317	72,953
Disposals	-	-	-	(22,946)	-	(2,286)	-	(25,232)
Adjustment from remeasurement	-	-	-	-	-	-	(96,032)	(96,032)
as of 31 December 2023	49,779	10,529	-	101,018	9,934	73,336	37,317	281,913
Charge for the year	-	7,968	14,884	821	3,815	7,528	17,799	52,815
Disposals	-	(43,502)	(16,357)	-	(8,956)	(12,337)	-	(81,152)
Movement	(49,779)	39,337	70,008	(51,528)	-	(8,038)	-	-
as of 31 December 2024	-	14,332	68,535	50,311	4,793	60,489	55,116	253,576
Carrying amount								
as of 31 December 2023	79,727	469	-	24,742	14,271	24,073	28,400	171,682
as of 31 December 2024	-	15,481	6,712	2,295	4,597	16,668	10,601	56,354

Depreciation expense has been allocated as follows:

In thousand drams	2024	2023
Distribution and marketing expenses	48,749	70,231
Administrative expenses	4,066	2,722
	52,815	72,953

Capital investments on leasehold assets are capital expenses on lease premises.

The details about right-of use assets are presented in Note 10.

As of the reporting date, there are no restrictions on the Company's fixed assets.

Fully depreciated assets

As of 31 December 2024 the Company has fixed assets with amount of 93,688 thousand drams, which carrying amounts are zero dram (As of 31 December 2023 80,513 thousand drams):

5 Intangible assets

In thousand drams	Software	License	Total
Cost			
as of 1 January 2023	9,755	30,041	39,796
as of 31 December 2023	9,755	30,041	39,796
as of 31 December 2024	9,755	30,041	39,796
Accumulated depreciation			
as of 1 January 2023	9,429	6,439	15,868
Charge for the year	54	2,765	2,819
as of 31 December 2023	9,483	9,204	18,687
Charge for the year	53	2,660	2,713
as of 31 December 2024	9,536	11,864	21,400
Carrying amount			
as of 31 December 2023	272	20,837	21,109
as of 31 December 2024	219	18,177	18,396

6 Inventories

In thousand drams	As of 31 December 2024	As of 31 December 2023
Goods in stock	171,463	181,498
Expired goods	13,696	20,951
Decrease in value of goods	(13,696)	(20,951)
	171,463	181,498

The cost of inventories recognized as an expense during the year is 763,361 drams thousand (2023: drams 774,743 thousand.

The cost of inventories recognized as an expense includes deductions from the cost of inventories before their net realizable value. Inventories are expected to be recovered after more than twelve months. None of the inventories are pledged as a security for liabilities.

7 Trade and other receivables

In thousand drams	As of 31 December 2024	As of 31 December 2023
Financial assets		
Trade receivables	11,239	54,275
	11,239	54,275
Non-financial assets		
Advances and prepayments	-	599
Prepayments to customs bodies	8,926	13,437
Receivables from budget	5,622	270,870
	14,548	284,906
Trade and other receivables	25,787	339,181

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

All of the Company's trade and other receivables in the comparative periods have been reviewed for indicators of impairment.

Refer to note 23 (a) for the currencies in which the trade and other receivables are denominated.

8 Cash and cash equivalents

In thousand drams	As of 31 December 2024	As of 31 December 2023
Bank accounts	137,889	29,587
Cash in transit	28,916	28,302
	166,805	57,889

Refer to note 23 (a) for the currencies in which the cash and bank balances are denominated.

9 Capital

9.1 Charter capital

The authorized capital of the company is 50 thousand drams, which consists of 1 (one) share, the nominal value of which is 50 thousand drams. One share of the company is fully placed and paid. There was no change in the Charter capital during the reporting year.

10 Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

In thousand drams	As of 31 December 2024	As of 31 December 2023
Current	11,913	19,748
Non-current	-	11,913
	11,913	31,661

The Company has leases for the buildings, which are used for administrative purposes. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its Fixed assets (refer to note 4).

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognized on the statement of financial position:

Right-of-use asset	Number of right-of-use assets leased	Average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with variable payment linked to an index	Number of leases with termination options
Office space	1	-	-	-	-	-
Warehouse building	2	1 years	2	-	-	-

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2024 and 31 December 2023 were as follows:

In thousand drams	As of 31 December 2024	As of 31 December 2023
As of 1 January	31,661	5,811
Remeasurement	-	53,964
Additions	-	5,942
Finance charges	2,317	5,709
Payments	(22,065)	(39,765)
As of 31 December	11,913	31,661

Lease payments not recognized as a liability

The Company has elected not to recognize a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

11 Trade and other payables

In thousand drams	As of 31 December 2024	As of 31 December 2023
Financial liability		
Trade payables	52,965	60,409
Provision related to fines from tax authorities	-	37,871
Vacation reserve	9,239	23,657
	62,204	121,937
Non-financial liability		
Received prepayments	3,592	6,440
Taxes and duties payable	9,579	231,700
Other	10	601
	13,181	238,741
	75,385	360,678

Refer to note 23 (a) for more information about the Company's exposure to foreign currency risk.

12 Revenue

In thousand drams	2024	2023
Income from sale of goods	1,630,007	1,705,820
	1,630,007	1,705,820

13 Cost of sales

In thousand drams	2024	2023
Cost of goods sold	763,361	774,743
Depreciation of expired and damaged goods	8,368	11,109
	771,729	785,852

14 Other income

In thousand drams	2024	2023
Payables write off	8,686	-
Income from reversal of the provision of fines from tax authorities	-	71,152
Income from remeasurement of Right-of-use asset	-	2,522
Correction of previous year non-significant balances	-	535
Other income	509	709
	9,195	74,918

15 Distribution and marketing expenses

In thousand drams	2024	2023
Commission	361,866	338,949
Compensations to employees	81,951	116,657
Depreciation	48,749	70,231
Marketing expenses	40,154	49,871
Transportation and insurance expenses	16,319	15,658
Packaging	7,824	7,984
Amortization	2,713	2,819
Advertisement	-	292
Other	2,144	3,999
	561,720	606,460

16 Administrative expenses

In thousand drams	2024	2023
Compensations to employees	96,391	110,768
Postal and telecommunication expenses	66,885	71,735
Net loss from sale of fixed assets	56,736	-
Bank and insurance costs	25,778	25,326
Office and utility expenses	22,111	19,892
Audit and consulting	11,327	26,245
Non-refundable taxes	11,244	11,784
Business trip and Representation expenses	8,868	14,595
Fixed asset maintenance	5,935	10,992

In thousand drams	2024	2023
Fixed asset maintenance	4,066	2,722
Other	3,751	5,326
	313,092	299,385

17 Other expenses

In thousand drams	2024	2023
From currency translation	6,078	5,643
Fines	108	336
Cost of the sale of wastepaper	-	9,297
	6,186	15,276

18 Net finance income/(cost)

In thousand drams	2024	2023
Finance income		
Accrued income on bank balance	2,456	2,994
	2,456	2,994
Finance cost		
Lease finance cost	(2,317)	(5,709)
	(2,317)	(5,709)
	139	(2,715)

19 Gain/(Loss) from exchange differences

In thousand drams	2024	2023
Trade and other payables	5,293	(6,835)
Cash and bank balances	672	1,968
	5,965	(4,867)

20 Income tax expense

In thousand drams	2024	2023
Current tax	19,708	12,556
Deferred tax	1,154	(3,113)
	20,862	9,443

Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended 31 December 2024	%	Year ended 31 December 2023	%
Profit before taxation (under IFRSs)	(7,421)		66,183	
Tax calculated at a tax rate of 18% (2023: 18%)	(1,336)	18%	11,913	18%
(Non-taxable income)/Non-taxable expense	22,198	-299%	(2,470)	-4%
	20,862	-281%	9,443	14%

The movement of deferred income taxes is disclosed below:

In thousand drams	2024	2023
Balance at the beginning of year	(1,120)	(4,233)
Credited to profit or loss	(770)	3,113
Balance at the end of year	(1,890)	(1,120)

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
Deferred income tax assets			
Vacation reserve	4,259	(2,596)	1,663
Right-of-use assets	6,717	3,204	9,921
Total differed tax assets	10,976	608	11,584
Deferred income tax liabilities			
Fixed assets	(5,966)	2,177	(3,789)
Lease liability	(6,130)	(3,555)	(9,685)
Total differed tax liability	(12,096)	(1,378)	(13,474)
Net position – deferred income tax liabilities	(1,120)	(770)	(1,890)

Deferred income taxes for the year ended 31 December 2023 can be summarized as follows:

In thousand drams	1 January 2023	Recognized in profit or loss	31 December 2023
Deferred income tax assets			
Vacation reserve	3,762	497	4,259
Right-of-use assets	(16,901)	23,618	6,717
Total differed tax assets	(13,139)	24,115	10,976
Deferred income tax liabilities			
Fixed assets	(8,380)	2,414	(5,966)
Lease liability	17,286	(23,416)	(6,130)
Total differed tax liability	8,906	(21,002)	(12,096)
Net position – deferred income tax liabilities	(4,233)	3,113	(1,120)

21 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.

21.1 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.

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 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 (refer to note 24).

22 Financial instruments

22.1 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 disclosed in note 3.6.

22.2 Categories of financial instruments

The carrying amounts of financial assets and financial liabilities in each category are as follows:

In thousand drams	As of 31 December 2024	As of 31 December 2023
Financial assets		
Amortized cost		
Trade and other receivables	11,239	54,275
Cash and cash equivalents	166,805	57,889
Total financial assets	178,044	112,164
Financial liabilities		
Amortized cost		
Trade and other payables	62,204	121,937
Lease liabilities	11,913	31,661
Total financial liabilities	74,117	153,598

23 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,
- 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

1) Market risk

The Market risk is a risk of the change in value of the Company's income or its financial instruments as a result of change in market prices, as well as the change in exchange rates, interest rates and stock prices.

The purpose of market risk management is to manage and control the risk that will allow to maintain the degree of exposure to this risk within acceptable limits, while ensuring the optimization of risk return.

a) *Foreign currency risk*

Most of the Company's transactions are carried out in Armenian drams. Exposures to currency exchange rates arise from the Company's overseas sales and purchases, which are primarily denominated in US dollars RUR and Euro.

Foreign currency exposure

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:

In thousand drams					2024
Category	Armenian dram	USD	EUR	RUR	Total
Financial assets					
Trade and other receivables	11,239	-	-	-	11,239
Cash and cash equivalents	104,275	518	61,055	957	166,805
Total financial assets	**115,514**	**518**	**61,055**	**957**	**178,044**
Financial liabilities					
Trade and other payables	56,047	-	6,157	-	62,204
Lease liabilities	11,913	-	-	-	11,913
Total financial liabilities	**67,960**	**-**	**6,157**	**-**	**74,117**
Net position	47,554	518	54,898	957	103,927

In thousand drams					2023
Category	Armenian dram	USD	EUR	RUR	Total
Financial assets					
Trade and other receivables	54,275	-	-	-	54,275
Cash and cash equivalents	54,971	528	1,599	791	57,889
Total financial assets	**109,246**	**528**	**1,599**	**791**	**112,164**
Financial liabilities					
Trade and other payables	99,542	-	22,395	-	121,937
Lease liabilities	31,661	-	-	-	31,661
Total financial liabilities	**131,203**	**-**	**22,395**	**-**	**153,598**
Net position	(21,957)	528	(20,796)	791	(41,434)

Sensitivity analysis

The following table details the Company's sensitivity to a 10% (2023: 10%) increase and decrease in dram against US dollar, EUR, and RUR. 10% (2023: 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% (2023: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar, EUR, and RUR by 10% (2023: 10%) then this would have had the following impact:

In thousand drams		US dollar impact	
	Change in currency exchange rate, %	2024	2023
Profit or loss	10%	52	53
	-10%	(52)	(53)

In thousand drams		EUR impact	
	Change in currency exchange rate, %	2024	2023
Profit or loss	10%	5,490	(2,080)
	-10%	(5,490)	2,080

In thousand drams		RUR impact	
	Change in currency exchange rate, %	2024	2023
Profit or loss	10%	96	79
	-10%	(96)	(79)

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.

2) 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.

The credit risk is managed based on the Company's credit risk management policies and procedures.

a) Trade receivables

The Company applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on overdue days.

The credit loss of trade receivables as of 31 December 2024 and 31 December 2023 is zero.

3) 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 Company's approach to liquidity risk management is to ensure that sufficient liquidity is always sufficient to repay liabilities on time as required, both in ordinary and extraordinary circumstances, without causing unacceptable losses or endangering the Company's reputation.

For this purpose, the Company makes short-term cash flow forecasts based on financial requirements due to the nature of operating and investment activities. As a rule, these requirements are forecast on an annual և monthly basis. The Company seeks to provide an amount of cash equivalents that exceeds the expected cash outflow from financial liabilities (excluding trade payables) within the next 60 days.

The following is the contractual maturity of financial liabilities, including accrued interest payments.

2024							
In thousand drams	Demand and less than 1 month	From 1-12 months	From 1-3 year	From 3-5 year	More than 5 year	Total gross amount outflow	Carrying amount
Trade and other payables	62,204	-	-	-	-	62,204	62,204
Lease liabilities	1,050	11,550	-	-	-	12,600	11,913
	63,254	11,550	-	-	-	74,804	74,117

2023							
In thousand drams	Demand and less than 1 month	From 1-12 months	From 1-3 year	From 3-5 year	More than 5 year	Total gross amount outflow	Carrying amount
Trade and other payables	121,937	-	-	-	-	121,937	121,937
Lease liabilities	3,305	37,060	21,465	12,600	-	74,430	31,661
	125,242	37,060	21,465	12,600	-	196,367	153,598

24 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).

24.1 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 2024 and 31 December 2023:

In thousand drams		Fair value measurement hierarchy		
Description	As of 31 December 2024	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	11,239	-	11,239	-
Cash and cash equivalents	166,805	-	166,805	-
Financial liabilities				
Trade and other payables	62,204	-	62,204	-
Lease liabilities	11,913	-	11,913	-

In thousand drams		Fair value measurement hierarchy		
Description	As of 31 December 2023	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	54,275	-	54,275	-
Cash and cash equivalents	57,889	-	57,889	-
Financial liabilities				
Trade and other payables	121,937	-	121,937	-
Lease liabilities	31,661	-	31,661	-

The carrying amount of the bank is considered to be a reasonable approximation of the fair value.

25 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 and accumulated profits.

Management assesses the Company’s capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. 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, 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 2024	As of 31 December 2023
Total capital	349,567	377,850
Less: cash and bank balances	(166,805)	(57,889)
Adjusted equity	182,762	319,961
Total capital	349,567	377,850
Total debt	349,567	377,850
Net debt to adjusted equity ratio	0.52	0.85

26 Commitments

26.1 Legal commitments

There are no legal commitments against the Company as at 31 December 2024 and as at the date of the signing the Audit opinion. At the same time, as of the above-mentioned dates, the Company has not filed a lawsuit against a third party.

27 Contingencies

27.1 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.

27.2 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 differed interpretations and the effects could be significant.

27.3 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.

28 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and short-term investments with a maturity period of less than 3 months, net of outstanding bank overdrafts. Cash and bank balances at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position, as follows:

In thousand drams	As of 31 December 2024	As of 31 December 2023
Cash and cash equivalents	166,805	57,889

29 Related parties

The Company is controlled by “Oriflame Holdings BV” Company (Address: Bolduc Building A Utopialaan 52, NL-5232CE'S-HERTOGENBOSCH, Nederland), which owns 100% of the Company’s shares.

In terms of the submitted financial statements, the related parties of the Company are also the organizations under joint control, the members of the management staff, as well as the parties related to them.

29.1 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

Transactions	2024	2023
Transactions with related companies		
Goods and services received	(145,622)	(742,858)
Sale of goods	-	299

In thousand drams

Balances	As of 31 December 2024	As of 31 December 2023
Balances with related companies		
Trade and other payables	4,835	17,829

29.2 Transactions with management and close family members

Key management received the following remuneration during the year.

In thousand drams	2024	2023
Salaries and bonuses	63,920	58,232