

FREEDOM FINANCE ARMENIA
Limited Liability Company

FINANCIAL STATEMENTS
IN ARMENIAN DRAMS
31 December 2023

YEREVAN 2024

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29 March 2024
N 012404



APPROVED:

V. GEVORGYAN
General Director
Baker Tilly Armenia CJSC

INDEPENDENT AUDITOR'S REPORT

To Management of
Freedom Finance Armenia LLC

Opinion

We have audited the accompanying financial statements of Freedom Finance Armenia LLC (hereinafter, "the Company"), which comprise the Statement of Financial Position as at 31 December 2023, the Statement of Profit or Loss and other Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows for the period 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 at 31 December 2023, and of its financial performance and its cash flows for the period 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Armenia, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Baker Tilly Armenia CJSC is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Other matter

The financial statements of the Company for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements in the auditor's report dated 25 April 2023.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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- 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, then 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.
- Obtain sufficient appropriate audit evidence regarding the financial information or business activities of the Organization to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

Auditor

Sh. Tashchiyan



29 March 2024

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the period ended 31 December 2023

		<i>(AMD ths.)</i>	
	Notes	31.12.2023	31.12.2022
Interest and similar income	5	22,810	5,458
Interest and similar expense	5	(600)	-
<i>Net interest income</i>		22,210	5,458
Fee and commission income	6	8,399,203	-
Fee and commission expense	6	(6,191,233)	(200)
Net commissions		2,207,970	(200)
Net gain from revaluation	7	67,261	3,666
Impairment expense		266	(691)
Other operating income / (expense)	8	6,490	(2,747)
Operating income		74,017	5,486
Personnel expenses	9	(332,765)	(55,326)
Other general administrative costs	10	(472,419)	(64,468)
Profit before taxation		1,499,011	(114,308)
Income tax (expense) / refund	11	(259,509)	20,095
Total profit / (loss) for the year		1,239,504	(94,213)

The accompanying notes 1-22 are the integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	31.12.2023	31.12.2022 (AMD ths.)
Assets			
Cash and cash equivalents	12	1,883,370	96,402
Financial assets at FVTPL		1,325	-
Financial assets measured at amortized cost	13	212,544	264,395
Property and equipment and intangible assets	14	97,116	25,943
Deferred tax assets	11	3,754	21,309
Other assets	15	62,764	8,776
Total assets		2,260,873	416,825
Liabilities			
Finance lease liability	16	54,190	-
Amount due to participant	17	298,374	-
Other liabilities	18	369,496	2,191
Total liabilities		722,060	6,641
Equity			
Charter capital			
Accumulated profit / (loss)	19	300,000	508,000
Total equity		1,238,813	(97,817)
Total liabilities and equity		2,260,873	416,825

Ovak Ovakimian
Director

29 March 2024



Armen Azizyan
Authorized representative of StepUp LLC

The accompanying notes 1-22 are the integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2023

(AMD ths.)

	Charter capital	Retained profit	Total
Balance as of 31 December 2021	75,000	(3,604)	71,396
Profit for the year	-	(94,213)	(94,213)
Investments in equity	433,000	-	433,000
Total transactions with owners	433,000	-	433,000
Balance as of 31 December 2022	508,000	(97,817)	410,183
Balance as of 31 December 2022	508,000	(97,817)	410,183
Profit for the year	-	1,239,504	1,239,504
Total comprehensive income	-	1,239,504	1,239,504
Investments in equity	187,500	-	187,500
Capital decrease	(298,374)	-	(298,374)
Attributable to retained profit	(97,126)	97,126	-
Total transactions with owners	(395,500)	97,126	(298,374)
Balance as of 31 December 2023	300,000	1,238,813	1,538,813

The accompanying notes 1-22 are the integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the period ended 31 December 2023

	31.12.2023	(AMD ths.) 31.12.2022
Cash flows from operating activity		
Interest received	-	-
Interest paid	-	-
Fees and commissions received	8,399,204	-
Fees and commissions paid	(6,190,061)	(124)
Gain from foreign currency transactions	(3,447)	-
Salary and other equivalent payments	(297,741)	(51,912)
Other income and expense from operating activity	(420,262)	(66,213)
Net cash flows from operating activity before changes in working capital	1,487,693	(118,249)
<i>Decrease / (Increase) in operating assets</i>	-	-
<i>Decrease / (Increase) in credits provided</i>	-	-
Net cash flows from operating activity before taxation	1,487,693	(118,249)
Profit tax paid	(1,505)	(25)
Net cash flows from operating activity	1,486,188	(118,274)
Cash flows from investing activity		
Decrease / (increase) of investments measured at amortized cost	74,927	(259,628)
Decrease / (increase) of investments measured at FVTPL	519	-
Property and equipment and intangible assets - acquisition / capitalization	(34,591)	(28,023)
Net cash flows from investing activity	40,855	(287,651)
Cash flows from financing activity		
Participants investments in charter capital	193,490	433,000
Net cash flows from financing activity	193,490	433,000
Net increase / (decrease) in cash and cash equivalents	1,720,533	27,075
Cash and cash equivalents at the beginning of the period	96,402	71,385
Foreign exchange effect on cash and cash equivalents	66,435	(2,058)
Cash and cash equivalents at the end of the period	1,883,370	96,402

The accompanying notes 1-22 are the integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**For the period ended 31 December 2023****1 Main activity**

Freedom Finance Armenia LLC (hereafter, “the Company” was established in 2021 in the Republic of Armenia as an investment company and received License No 0021 for provision of the following services:

- Acceptance and transfer of instructions from customers for the execution of security transactions;
- Provision of advice to customers in respect of investments in securities.

The highest governance body of the Company is General Meeting of the participants, and the general management of the activity is realized by the Board. Director of the Company is in charge of management of its current business activity. The position of director is held by Hovak Hovakimyan. Managerial remuneration is determined by the decision of the relevant managing body of the Company. The annual financial - economic activity of the Company is subject to an external audit. Regulatory authorities monitor the Company's operations in many ways and may conduct regular inspections to ensure compliance with applicable laws, regulations and rules. These laws, regulations and rules govern various areas of the Company activity including sales and marketing activities, trading functions, approaches applied regarding client assets, continuing professional education, anti-money laundering activities, client recognition policies, reporting and record keeping, as well as rules of conduct for directors, managers and rank-and-file employees.

The Company carries out its activities in the Republic of Armenia, therefore, the Company's activities are influenced by the economy and financial markets of Armenia, for which the emerging market characteristics are inherent. The legal, tax and legislative systems continue to evolve, but can have different interpretations and are subject to frequent changes, which, along with legal and financial barriers, can create additional complications for companies operating in Armenia. The company's assets are based in RA. The financial markets of developing countries, such as the Republic of Armenia, are more exposed to various risks than the markets of more developed countries. As previously observed, actual or perceived financial problems or potential risks associated with investments in emerging economies may have a negative impact on Armenia's investment environment and the overall state of its economy. The Company's assets may be adversely affected by general economic conditions, changes in the securities market, regulatory environment, and other geopolitical changes, as they all play a role in asset valuation, trading activity, interest rates and overall investor sentiment. have an impact on asset valuations, trading activity, interest rates, and general investor sentiment, and are beyond the Company's control.

The accompanying financial statements reflect the impact of the current operating and business environment on the Company's activity and financial results. The future business environment may differ from management's estimates. Financial organizations, as a rule, must have anti-money laundering policies, implement special training courses for employees, and appoint an employee responsible for money laundering compliance. Moreover, regulatory functions in the field of data privacy and protection are constantly evolving around the world and are driven mainly by the development of technology and, as a result, the possibilities of rapid dissemination of information. Compliance with those regulatory requirements shall be ensured to the extent applicable to the Company. Management has established policies and procedures to ensure compliance with these regulations. The sole shareholder of the Company is FREEDOM HOLDING CORP.

2 Basis of preparation***Statement of compliance***

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of recognition

The financial statements have been prepared on the historical cost basis, with the exception of financial assets held for trading purposes, which are re-measured at fair value.

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.

Armenian Dram is the presentation currency of this financial statements as well. All financial information presented in Armenian Drams has been rounded to the nearest thousand.

Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. Actual results may deviate from the estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period of the revision and future periods that may have been affected.

Changes in the accounting policy

As at the date of authorization of these financial statements, a number of new standards, amendments and interpretations to the existing Standards have been published which are not yet effective. The Company did not early adopted any of these pronouncements.

Management plans to adopt applicable new standards and interpretations in the period immediately following their effective date.

Management does not anticipate a material impact on the Company’s financial statements from these Amendments.

Going Concern

These financial statements have been prepared on a going concern basis, which assumes that assets are realized and liabilities settled in the ordinary course of business.

3 Accounting policy**Recognition of income and expense**

Income is recognized when it is probable that economic benefits will flow to the Company and the income received can be measured reliably. Expense is recognized when it is probable that economic benefits will flow from the Company and the expense can be measured reliably.

Interest income and expense

Interest income and expense, except for interest on non-derivative financial assets and liabilities measured at fair value through profit or loss (FVTPL), are recognized in profit or loss as interest income or interest expense, respectively.

Transactions in securities and investment income

Transactions in securities are recorded on the date of the transaction (sale or purchase of securities). Interest income is accounted for on an accrual basis. The value of securities is calculated on the basis of weighted average cost. With respect to short-term and fixed-income investments, discounts and issue proceeds are amortized and recorded in investment income. The cost of securities sold is calculated based on amortized cost.

Fees and Commissions

Fees and commission expenses are recognized in profit or loss after rendering the related services.

Financial instruments

The Company recognizes financial assets and financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales are purchases or sales of financial assets and financial liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Transaction costs that are directly attributable to acquisition of a financial asset or financial liability at FVTPL are immediately recognized in profit or loss.

Financial assets

On initial recognition, a financial asset is classified as measured at:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI);
- Amortized cost.

The classification depends on the nature of the cash flows arising from the financial assets and the business model under which the asset is held and managed, and is determined at the time of initial recognition.

Financial assets are classified as measured at FVTPL when they are not classified as measured neither at amortized cost nor at FVOCI (as it is presented below). Moreover, the Company may irrevocably designate any financial asset at FVTPL that meets the requirements to be measured at amortized cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial asset is classified as measured at FVOCI if it meets the following conditions and is not designated to be measured at FVTPL:

- it is held within a business model the purpose of which is provided both by collecting contractual cash flows and by selling financial assets; and
 - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
 - on initial recognition, an equity instrument that is not held for trading may be irrevocably designated as at FVOCI. This election is made on an instrument-by-instrument basis.

Financial asset is classified as measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Unclassified financial assets that are debt instruments and are measured at FVTPL are subject to impairment testing using the “Expected Credit Loss” (ECL) model. According to the ECL model, a provision for credit losses should be recognized in the amount of expected credit losses (ECL) within 12 months after the reporting date. However, if the instrument's credit risk has increased significantly since its initial recognition, a provision should be recognized in the ECL amount over the whole life of the instrument. ECL is a probability-weighted estimate of credit losses. It is measured as the present value of the cash shortfall (the difference between the cash flows available to the Company under the contract and the cash flows the Company expects to receive) discounted at an effective interest rate.

De-recognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers to the third party the rights to receive the contractual cash flows from the financial asset. If the Company neither transfers nor retains substantially all of the risks and rewards of ownership, but it retains the control over the transferred asset, then the Company continues to recognize the financial asset as well as the associated liability

to the extent that its involvement in the financial asset continues. If the Company retains substantially all of the risks and rewards of ownership of the financial asset, then the Company shall continue to recognize the financial asset as well as the loan pledged against the consideration received.

Financial liabilities

Financial liabilities are classified as measured at FVTPL or as other financial liabilities.

Financial liabilities at FVTPL

A financial liability is classified as measured at FVTPL when it is held for trade purposes or it is classified as measured at FVTPL.

Financial liability is classified as held-for-trading if:

- it is acquired primarily for short-term repurchase purposes, or
- at initial recognition it forms part of a portfolio of certain financial instruments jointly managed by the Company and has a realistic possibility of profit in the short term, or
- it is a derivative instrument that is not intended or used as a hedging instrument.

Financial liability not held for trading may be classified at initial recognition as measured at FVTPL if:

- Such a classification excludes, or significantly reduces the mismatch of measurement or recognition, which would otherwise arise, or,
- the financial liability is part of financial assets or financial liabilities or part of a group of both financial assets or financial liabilities, which is managed and its performance is assessed on a fair value basis, according to the company's documented risk management or investment strategy, and the information on grouping is provided internally on the same basis, or
- it forms part of a contract that contains one or more embedded derivatives, and the entire contract (assets or liabilities) is classified as being measured at FVTPL.

Financial liabilities at FVTPL are presented at fair value, and the gains or losses arising from their re-measurement are recognized in profit or loss except for a change in fair value from part of liability attributable to credit risk, which is presented in other comprehensive income.

De-recognition of financial liabilities

The Company derecognizes financial liabilities only when the Company's obligations are discharged, cancelled or expire. When a financial liability to the same lender is replaced by another financial liability, the terms of which are significantly different from the previous one, or if there is a substantial modification in the terms of the existing obligation, such exchange or modification is recognized as de-recognition of the original liability and recognition of the new liability. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in the financial results.

Recognition of exchange differences

Gain / (loss) from foreign currency transactions includes gain (loss) from the revaluation of assets or liabilities in foreign currency.

Foreign currency transactions are recalculated to the functional currency at the exchange rate as at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the statement of financial position date. As of the reporting date, exchange rate differences resulting from the recalculation of foreign currency items are recognized as an expense or income.

The period-end exchange rates used by the Company during the preparation of financial statements are presented below:

	<i>31 December 2023</i>
Armenian Drams / 1 US Dollar	404.79
Armenian Drams / 1 Euro	447.90

Taxation

Income tax for the reporting year consists of current and deferred taxes. Income tax is recognized in the statement of financial results, except for those taxes for which the transactions results are recognized in equity, in which case the taxes are recognized in equity as well.

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

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, and affects neither accounting nor taxable profit.

A deferred tax asset is recognized only to the extent that it is probable that taxable profit will be available in the future against which the temporary differences can be utilized. Deferred tax assets and liabilities are calculated at the tax rate that is assumed to apply when the assets are realized and the liabilities are settled, based on the actual rates in effect for the given period or reporting period.

There are many other operating taxes in the RA, which are calculated based on the Company's activities. These taxes are recognized in the statement of financial results under "Other expenses". The amounts of indirect taxes are included in the amount of tangible or intangible value to which these taxes refer.

Property and Equipment

A unit of Property and Equipment that meets the criteria for asset recognition is initially measured at its initial value (cost). The initial value of the unit of Property and Equipment includes its purchase price, taxes, import duties, other mandatory fees, which are not subject to return to the Organization by the relevant authority.

Property and equipment are stated at initial value less accumulated depreciation and impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs.

Depreciation is calculated using the straight-line method over the useful life of the asset.

Estimated useful lives are as follows:

Computer equipment	1-3 years
Office equipment, other fixed assets	8 years

Fixed assets are revaluated in case of a significant fluctuation in their fair (market) value. The revaluation results are reflected in accordance with IAS 16.

Leases

The Company as a lessee

The Company signs lease agreements mainly for the use of office spaces. Lease agreements for office spaces are usually concluded for a period of three years, with the possibility of term extension. The Company recognizes lease liabilities for lease payments and right-of-use assets, which represent the right to use the assets underlying the agreement. The Company does not enter into sale and leaseback agreements.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use by the lessee). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for the re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date of the lease, the amount of lease liabilities increases to reflect interest accruals and decreases to reflect lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of the option to purchase the underlying asset.

Right-of-use assets are presented together with fixed assets in the statement of financial position.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less at the commencement date and do not contain a purchase option).

Operating – the Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease income arising is accounted for on a straight-line basis over the lease term and is included in other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as lease income. Contingent lease payments are recognized as income in the period in which they are received.

Intangible assets

Intangible assets include computer software.

Intangible assets are measured at cost upon initial recognition. After initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment charges. The useful lives of intangible assets can be finite or indefinite. Those with a finite useful life are amortized on a straight-line basis over 5 years and are assessed

for impairment when impairment characteristics are present. Amortization periods and methods for assets with finite useful lives are reviewed at least at the end of each fiscal year.

Intangible assets with indefinite useful lives are not amortized, they are tested for impairment once a year at the individual or cash-generating unit level. The useful life of an asset with an indefinite useful life is reviewed annually to determine whether the asset's useful life is still estimated to be indefinite.

Loans and Borrowings

Borrowing costs are recognized as an expense in the period in which they are incurred (accrued), except for those relating to qualifying assets, which are capitalized in accordance with IAS 23. Loans and borrowings are accounted for at amortized cost using the effective interest method.

Provisions

A provision is recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that the settlement of the obligation will require an outflow of resources embodying economic benefits, and the amount of the obligation can be measured reliably.

4 Changes in Accounting Policy and financial statements presentation

In the current year the Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

The mentioned above standards and amendments that were applied for the first time in 2023 did not have a material effect on the Company’s financial statements.

Standards and interpretations not yet applied by the Company

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 the applicable new standards and interpretations will be adopted by the Company for the first period beginning after the effective date of the pronouncement.

Management does not anticipate that the presented below amendments will have a material impact on the Company’s financial statements.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21)

5 Interest and similar income

	<i>AMD ths.</i>	
	31.12.23	31.12.22
<i>Interest and similar income</i>		
Interest income from securities	22,810	5,458
	22,810	5,458
<i>Interest and similar expense</i>		
Interest expense regarding financial lease	(600)	-
	(600)	-
Net interest and similar income	22,210	5,458

6 Fee and commission income and expense

	<i>AMD ths.</i>	
	31.12.23	31.12.22
<i>Fee and commission income</i>		
Non-resident legal persons	2,911,040	-
Resident natural persons	5,488,163	-
	8,399,203	-
<i>Fee and commission expense</i>		
Commission expense	(6,191,233)	(200)
	(6,191,233)	(200)
Net fees and commissions received	2,207,970	(200)

7. Net income from revaluation

	<i>AMD ths.</i>	
	31.12.23	31.12.22
Gains from revaluation		
Gains from foreign currency revaluation	113,464	8,410
Loss from revaluation		
Loss from foreign currency revaluation	(46,203)	(4,744)
	67,261	3,666

8. Operating income / (expense)

	<i>AMD ths.</i>	
	31.12.23	31.12.22
Other operating income		
Income from non-government securities	171,358	-
Income from foreign currency conversion	142	1,025
Income from lease liability de-recognition	-	297
Other income	7,968	48
	179,468	1,370
Other operating expense		
Expense from foreign currency conversion	(3,596)	(3,769)
Expense from sale of non-government securities	(169,382)	-
Expense from lease liability derecognition	-	(348)
	(172,978)	(4,117)
Total	6,490	(2,747)

9. Personnel expenses

	<i>AMD ths.</i>	
	31.12.23	31.12.22
Employee compensation	(230,133)	(38,452)
Taxes paid on behalf of employees	(83,505)	(14,862)
Unused leave reserve	(19,127)	(2,012)
	(332,765)	(55,326)

9. General administrative expenses

	<i>AMD ths.</i>	
	31.12.23	31.12.22
Marketing and advertising	(237,764)	-
Taxes other than income tax	(60,594)	(9,044)
Operating lease expense	(43,809)	(27,154)
Office expense	(29,180)	(2,418)
Representation expense	(16,970)	(454)
Professional services	(14,979)	(10,439)
Depreciation and amortization	(12,286)	(3,894)
Telecommunication expense	(6,524)	(1,021)
Membership fees	(1,950)	(975)
Business travel expense	(3,116)	-
Repairs and maintenance expense	(2,663)	(320)
Insurance	(836)	-
Other expense	(41,748)	(8,749)
	(472,419)	(64,468)

10. Income tax (expense) / refund

	<i>AMD ths.</i>	
	31.12.23	31.12.22
Current tax expense	(241,954)	-
Deferred tax refund	(17,555)	(20,095)
	(259,509)	(20,095)

Below is the correlation between income tax refund and accounting profit.

<i>AMD ths.</i>	Effective interest rate		Effective interest rate	
	31.12.23	(%)	31.12.22	(%)
Profit/ (loss) before taxation (IFRS)	1,498,746		(113,617)	
Profit tax at the rate 18%	(269,774)	(18)	20,451	18
Non-taxable income	10,265	0.7	(356)	(0.3)
Total income tax refund	(259,509)	(17.3)	20,095	(17.7)

Taxes for the year ended 31 December 2023 are grouped as follows

	AMD ths.		
	01 January 2023	Recognized in P/L	31 December 2023
<i>Deferred tax assets</i>			
Regarding lease liabilities	12,406	(12,406)	-
Financial assets possible loss reserve	32	486	518
Tax loss	736	20,162	20,898
	<u>13,174</u>	<u>8,242</u>	<u>21,416</u>
<i>Deferred tax liabilities</i>			
Regarding property and equipment	(5)	(102)	(107)
Regarding right-of-use assets	(11,955)	11,955	-
	<u>(11,960)</u>	<u>11,853</u>	<u>(107)</u>
Net result – deferred tax assets	<u>1,214</u>	<u>20,095</u>	<u>21,309</u>

12. Cash and cash equivalents

	AMD ths.	
	31.12.23	31.12.22
Bank accounts	<u>275,233</u>	<u>96,402</u>
	<u>275,233</u>	<u>96,402</u>

Cash and cash equivalents are not devalued, overdue or pledged, there are no restrictions on them.

As of 31 December 2022 and 2023, the Company does not have allocated means in banks, the balances of which exceed 10% of the equity.

13. Financial assets at amortized cost

	31.12.23	31.12.22
RA Government bonds	200,073	259,628
Accrued interest	12,896	5,458
Expected debt loss provision	(425)	(691)
Trade securities	<u>212,544</u>	<u>264,395</u>

14. Property and equipment

				AMD ths.
	Right-of-use assets	Computers and other equipment	Other fixed assets	Total
Initial value				
31 December 2021	-	-	234	68,550
Addition	68,316	21,681	7,922	29,603
Disposal /write-off	(68,316)	-	-	(68,316)
31 December 2022	-	21,681	8,156	29,837
Addition	56,336	13,222	11,275	80,833
Disposal/write-off	-	(122)	-	(122)
31 December 2023	56,336	34,781	19,431	110,548
Accumulated depreciation and impairment				
31 December 2021	(1,898)	-	-	(1,898)
Annual depreciation	-	(3,103)	(791)	(3,894)
Disposal / write-off	1,898	-	-	1,898
31 December 2022	-	(3,103)	(791)	(3,894)
Annual depreciation	(2,347)	(7,419)	(1,493)	(11,259)
Disposal / write-off	-	27	-	27
31 December 2023	(2,347)	(10,495)	(2,284)	(15,126)
Net Carrying Amount				
31 December 2022	-	18,578	7,365	25,943
31 December 2023	53,989	24,286	17,147	95,422

Intangible assets

	<i>AMD ths</i>	
	Computer software	Total
<i>Initial cost</i>		
As at 31 December 2021	-	-
Addition	-	-
As at 31 December 2022	-	-
Addition	2,628	2,628
As at 31 December 2023	2,628	2,628
<i>Accumulated amortisation</i>		
As at 31 December 2021	-	-
Amortisation charge	-	-
As at 31 December 2022	-	-
Amortisation charge	(932)	(932)
As at 31 December 2023	(932)	(932)
<i>Carrying amount</i>		
As at 31 December 2022	-	-
As at 31 December 2023	1,696	1,696

Estimated costs of depreciation of fixed assets for the year ended 31 December 2023 totaling AMD 11,259 thousand (for the year ended 31 December 2022: AMD 3,894 thousand), are included in full in "Other general administrative expenses" of the statement of profit or loss and other comprehensive income.

15. Other assets

	<i>AMD ths.</i>	
	31.12.23	31.12.22
Advances to suppliers	55,536	7,859
Future period's expenses	917	917
Advances regarding salary	261	-
Inventory	6,046	-
	62,760	8,776

16. Financial lease liabilities

The company has entered into lease agreements regarding the premises of branches and headquarters. Each lease is reflected in the statement of financial position as a right-of-use asset and a lease liability. An entity classifies its right-of-use assets in accordance with the classification of its fixed assets.

In general, each lease contains a restriction that a right of use asset can be used only by the Entity, unless there is a contractual right to provide the asset to another party. Leases are either non cancellable or can be cancelled only by bringing forth a significant termination fee. Some leases include an option to extend the lease term. The entity is prohibited from selling or pledging the underlying leased assets. The organization must keep these properties in good (repaired) condition and return the property to its original condition at the end of the lease.

The movement of lease liabilities in the reporting period is presented below:

	<i>AMD ths.)</i>	
	31.12.23	31.12.22
Effect of application of IFRS 16	-	-
Addition	56,336	-
Accumulated interest	600	-
Payments	(2,746)	-
	54,190	-

The weighted average interest rate applied to lease liabilities recognized in 2023 in accordance with IFRS 16 is 12.5%.

17. Liability towards participant

According to the Board decision as of 13.06.2023, the authorized capital of the Company was reduced by AMD 395,500 thousand, of which an amount of AMD 298,274 thousand was classified as the amount to be returned to the participant.

18. Other Liabilities

	<i>AMD ths.</i>	
	31.12.23	31.12.22
Trade payables	80,193	856
Taxes and dues payable	263,727	3,595
Salary payable	203	-
Other internal payables	4,055	-
Provisions	21,318	2,191
	369,496	6,642

19. Charter capital**19.1 Equity**

			<i>AMD ths.</i>	
			31.12.23	31.12.22
Authorized shares			300,000	508,000
One share (AMD 1000)			300,000	508,000

	2023		2022	
Shareholder	Share (AMD ths.)	Share size (%)	Share (AMD ths.)	Share size (%)
Freedom Holding Corp	300,000	100	508,000	100
	300,000	100	508,000	100

20. Related party transactions

According to IAS 24 *Related Party Disclosures*, parties are considered related when one of the parties has control over the other or is able to exert considerable influence over the other party in terms of financial or business decisions. For the purposes of these financial statements, related parties include Shareholders, members of the Company's management, as well as affiliated individuals and entities controlled by them.

The transaction volumes, balances as at the year end and income and expense for the year are as follows:

	<i>AMD ths.</i>		
	<i>Brokerage commission</i>	Bank commission	Permit fee
As at January 1	-	-	-
Received during the year	6,158,437	219	21,127
Paid during the year	6,158,437	219	21,127
As at December 31	-	-	-

Compensations regarding key management are presented below:

	<i>AMD ths.</i>	
	2023	2022
Salary and bonuses	41,561	16,472
Total compensations regarding key management	41,561	16,472

21. Risk management**21.1 Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument (assets) fails to meet its contractual obligations. The Company's credit risk arises from financial assets, including cash and cash equivalents held at banks and trade and other receivables. Credit risk is managed on a group basis. The maximum impact of credit risk is represented by the balance sheet values of financial assets. The Company does not take collateral for trade receivables.

Geographical segments

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorized by geographical segments as of 31 December.

	RA	Other countries	AMD ths. Total
Cash and cash equivalents	269,831	-	269,831
Amounts due from financial institutions	-	1,608,137	1,608,137
Financial assets measured at FVTPL	-	1,325	1,325
Other financial values measured at amortized cost	212,544	-	212,544
Other assets	60,344	2,420	62,764
As at 31 December 2023	<u>542,719</u>	<u>1,617,284</u>	<u>2,160,003</u>
As at 31 December 2022	<u>273,171</u>	<u>-</u>	<u>273,171</u>

21.2 Market risk

Market risk is the probability that the Company will incur losses as a result of market fluctuations, in particular, changes in the future fair values of financial instruments held for trading purposes. The objective of market risk management is to manage and control risk in such a way as to maintain the degree of exposure to risk within acceptable limits while ensuring the optimization of returns.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Company carries out transactions in foreign currencies and is therefore exposed to exchange rates fluctuations. The Company's net exposure to currency risk is shown in the tables below:

	Armenian Drams	Freely convertible currencies/ precious metals	AMD ths. Total
Assets			
Cash and cash equivalents	98,326	176,907	275,233
Amounts due from financial institutions	-	1,608,137	1,608,137
Financial assets at FVTPL	-	1,325	1,325
Other financial values measured at amortized cost	212,544	-	212,544
Other assets	60,344	2,420	62,764
	<u>371,214</u>	<u>1,788,789</u>	<u>2,160,003</u>
Liabilities			
Financial lease liabilities	54,190	-	54,190
Liability towards participant	298,374	-	298,374
Other liabilities	61,575	307,921	369,496
	<u>414,139</u>	<u>307,921</u>	<u>722,060</u>
Net position as at 31 December 2023	<u>(42,925)</u>	<u>1,480,868</u>	<u>1,437,943</u>
Total financial assets	<u>273,171</u>	<u>-</u>	<u>273,171</u>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net position as at 31 December 2022	<u>273,171</u>	<u>-</u>	<u>273,171</u>

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to the risk of fluctuations in the fair value of a portfolio of financial instruments or income/future cash flows as a result of fluctuations in market interest rates. Regarding the Company's interest-bearing financial instruments, it is the Company's policy to enter into transactions in financial instruments with maturities that best correspond to the expected maturities of financial liabilities. However, exposure to interest rate risk may be high as a result of fluctuations in interest rates prevailing in the market.

Current average interest rates for interest-generating/interest-bearing financial assets and liabilities are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets measured at amortized cost	11.8	-

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, regardless of whether these changes are due to factors specific to the individual financial instrument or its issuer or to factors affecting all similar financial instruments in the market.

Thus, price risk is the probability of incurring a loss due to a change in the market price of a financial instrument.

21.3 *Liquidity risk*

Liquidity risk is the risk that the Company will have difficulties in acquiring resources to meet its obligations regarding financial instruments when they fall due. Liquidity risk arises when there is a mismatch between the maturities of assets and liabilities, which is natural for financial institutions and which is due to the differences in transactions and the uncertainty associated with them. The company follows a policy of liquidity management by maintaining sufficient funds in bank accounts and also by maintaining highly liquid assets in order to repay operating liabilities on time.

22. Capital adequacy

The Company manages its capital to ensure business continuity by maximizing the Company's profitability through optimization of debt to equity balance. The capital adequacy of the Company is controlled, among other measures, by the limitations set by the RA Central Bank. The Company has ensured compliance with all external conditions related to capital requirements. The Company manages the capital structure and makes adjustments to it based on changes in economic conditions and the nature of risk associated with the respective assets.