Armenian Card CJSC

Financial statements

For the year ended 31 December 2022
together with independent auditor's report

Contents

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Independent auditor's report

To the Shareholders and Board of Directors of
Armenian Card CJSC

Opinion

We have audited the financial statements of Armenian Card CJSC (the "Company"), which comprise the statement of financial position as at 31 December 2022, 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 present fairly, in all material respects, the financial position of the Company as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Other matter

The Company's financial statements for the year ended 31 December 2021 were audited by another auditor, who expressed an unmodified audit opinion on those statements on 21 February 2022.

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Responsibilities of management and the Board of Directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Ernst & Young CJSC
Yerevan, Armenia

General Director
Partner (Assurance) Eric Hayrapetyan

Responsible Auditor Armine Voskanyan

02 May 2023

Statement of financial position

As at 31 December 2022

'000 AMD	Note	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property and equipment	6	1,552,506	1,572,982
Intangible assets	7	837,491	602,260
Investment securities	8	209,800	264,479
Other non-current assets	9	117,474	107,507
Total non-current assets		**2,717,271**	**2,547,228**
Current assets			
Inventories	10	29,112	9,856
Deferred expenses	11	243,341	119,458
Trade and other receivables	12	279,208	264,732
Cash and cash equivalents	13	793,856	215,535
Total current assets		**1,345,517**	**609,581**
Total assets		**4,062,788**	**3,156,809**
Equity			
Share capital	14.1	1,320,000	1,320,000
Reserve capital	14.3	376,968	376,968
Fair value reserve	14.4	157,423	202,260
Accumulated profit		1,645,405	785,478
Total equity		**3,499,796**	**2,684,706**
Liabilities			
Non-current liabilities			
Lease liabilities	15	25,681	111,461
Grants related to assets	16	8,190	8,746
Deferred income tax liabilities	17	6,763	27,742
Total non-current liabilities		**40,634**	**147,949**
Current liabilities			
Trade and other payables	18	285,515	204,125
Lease liabilities	15	85,855	76,882
Current income tax liabilities		150,987	43,147
Total current liabilities		**522,357**	**324,154**
Total liabilities		**562,991**	**472,103**
Total equity and liabilities		**4,062,787**	**3,156,809**

These financial statements were approved and signed on 02 May 2023 by:

Ishkhan Mkhitaryan
Executive Director

Haykanush Hakobyan
Chief Financial Officer

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements, numbered 1-30

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2022

'000 AMD	*Note*	*2022*	*2021*
Revenue	19	3,790,862	3,043,307
Cost of sales	20	(2,471,202)	(2,415,755)
Gross profit		**1,319,660**	**627,552**
Other income		12,114	22,119
Distribution expenses		(2,967)	(2,834)
Administrative expenses	21	(220,205)	(211,133)
Loss on disposal of property and equipment and intangible assets		(1,881)	(1,297)
Other expenses		(14,475)	(33,639)
Results from operating activities		**1,092,246**	**400,768**
Finance income	22	3,599	14,283
Finance costs	22	(17,068)	(26,643)
Net loss from foreign currency operations		(15,580)	(1,387)
Profit before income tax		**1,063,197**	**387,021**
Income tax expense	17	(203,270)	(76,239)
Profit for the year		**859,927**	**310,782**
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)			
Net losses on revaluation of equity instruments at fair value through OCI, net of tax		(44,837)	(17,610)
Total other comprehensive loss		**(44,837)**	**(17,610)**
Total comprehensive income for the year		**815,090**	**293,172**

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, numbered 1-30.

Statement of changes in equity

For the year ended 31 December 2022

'000 AMD	*Share capital*	*Reserve capital*	*Fair value reserve of investment securities*	*Accumulated profit*	*Total*
As of 1 January 2021	**1,320,000**	**376,968**	**219,870**	**474,696**	**2,391,534**
Profit for the year	–	–	–	310,782	**310,782**
Other comprehensive loss for the year					
Net change in fair value of equity instruments at fair value through OCI, net of tax	–	–	(17,610)	–	**(17,610)**
Total comprehensive income for the year	**–**	**–**	**(17,610)**	**310,782**	**293,172**
As of 31 December 2021	**1,320,000**	**376,968**	**202,260**	**785,478**	**2,684,706**
As of 1 January 2022	**1,320,000**	**376,968**	**202,260**	**785,478**	**2,684,706**
Profit for the year	–	–	–	859,927	**859,927**
Other comprehensive loss for the year					
Net change in fair value of equity instruments at fair value through OCI, net of tax	–	–	(44,837)	–	**(44,837)**
Total comprehensive income for the year	**–**	**–**	**(44,837)**	**859,927**	**815,090**
As of 31 December 2022	**1,320,000**	**376,968**	**157,423**	**1,645,405**	**3,499,796**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements, numbered 1-30.

Statement of cash flows

For the year ended 31 December 2022

'000 AMD	*Note*	*2022*	*2021*
Operating activities			
Profit for the year		859,927	310,782
Adjustments to reconcile profit for the year to net cash flows:			
Depreciation and amortization	6,7	379,940	528,359
Net loss on disposal of property, equipment and intangible assets		1,881	1,297
Income tax expense	17	203,270	76,239
Income from grants		(556)	(556)
Net finance costs	22	13,469	12,360
Foreign exchange loss		15,580	1,387
Operating profit before working capital changes		**1,473,511**	**929,868**
Working capital changes:			
Change in trade and other receivables		(14,476)	31,005
Change in inventories		(19,256)	1,325
Change in deferred expenses		(123,883)	53,063
Change in trade and other payables		81,390	5,687
Operating profit before income tax paid		**1,397,286**	**1,020,948**
Income tax paid		(106,567)	(51,645)
Net cash flows from operating activities		**1,290,719**	**969,303**
Investing activities			
Acquisition of property and equipment and intangible assets		(617,334)	(1,009,688)
Proceeds from sale of property and equipment		10,791	4,153
Interest income from repurchase operations with financial institutions		–	713
Dividends received	22	3,599	13,570
Net cash flows from investing activities		**(602,944)**	**(991,252)**
Financing activities			
Repayment of lease liabilities	25	(93,876)	(93,803)
Repayment of interest on short-term liabilities		–	(1,540)
Net cash flows used in financing activities		**(93,876)**	**(95,343)**
Net decrease in cash and cash equivalents		**593,899**	**(117,292)**
Net foreign exchange difference		(15,580)	(1,387)
Cash and cash equivalents at 1 January		215,535	334,214
Cash and cash equivalents at 31 December	13	**793,854**	**215,535**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements, numbered 1-30.

1. Reporting entity

(a) Organisation and operations

Armenian Card CJSC (the "Company") was established by the Central Bank of Armenia and 10 commercial banks in March 2000 with the goal of establishment and development of a new payment system in the Republic of Armenia.

In the 1990s Central Bank of Armenia presented the development project of a unified payment system to United States Agency for International Development ("USAID"). The project was approved by USAID and in 1999 the Memorandum of Intentions was signed between the United States Government and the Central Bank of Armenia.

The Company's goal is to establish unified payment system in the Republic of Armenia, which will ensure the implementation of non-cash payments for goods and services, using plastic cards (including international payment systems) and other modern payment instruments related to them.

The Company presents service package, which enables commercial banks to issue and acquire ArCa Classic, ArCa Gold, ArCa Business, ArCa Affinity, ArCa Co-branded, ArCa Debit, ArCa Platinum cards, using the modern technical, technological and software opportunities of the processing center, as well as the Company's professional assistance.

The Company is involved in:

- Plastic card payment system (hereinafter: «the System») overall administration and management;
- Card transactions processing the scope of the System;
- Merchant card transactions processing;
- Clearing services for system members, ATMs and merchant registration;
- Online payment services and safety maintenance through 3D secure technology;
- SMS and USSD service for card transactions;
- Fraudulent transactions monitoring and detection;
- 24/7 call center;
- Online payment services: ArCa Cabinet site and applications;
- Cards personalization (electronic, graphical and manual), and other.

The company is a processing center of ArCa national payment system cards and MasterCard, Visa, American Express, DCI (Diners Club International), МИР and JCB (Japan Credit Bureau) system cards, as well as a full member of MasterCard international payment system.

The shareholders of the Company are the Central Bank of Armenia and RA commercial banks licensed by the Central Bank of Armenia (refer to note 14).

The Company's registered office is located at 32/1 Garegin Njdeh str., Yerevan, Republic of Armenia. The Company's actual address is at 15 Movses Khorenatsi str, "Elite Plaza" Business Center, Yerevan, Republic of Armenia.

The average number of employees of the Company during 2022 was 101 (2021: 87).

(b) Armenian business environment

The Company's operations are primarily located in Armenia. Consequently, the Company is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia. Additionally, the breakout of armed conflict in Nagorno-Karabakh in September 2020 followed by cease-fire arrangement over disputed Nagorno-Karabakh territories, later escalation of the conflict in the Republic of Armenia territory has further increased uncertainty in the business environment.

As a result of the war in Ukraine, many leading countries and economic unions have announced severe economic sanctions on Russia and Belarus, including Russian banks, other entities and individuals. Since the start of the war, there has been a significant volatility of the Russian ruble against foreign currencies, as well as significant loss of value on the securities markets in Russia and of Russian companies listed in other markets. The situation is still unfolding, but it has already resulted in a humanitarian crisis and huge economic losses in Ukraine, Russia and the rest of the world. Ukraine and Russia are important trade partners of Armenia.

1. Reporting entity (continued)

(b) Armenian business environment (continued)

As a result of the war there was an influx of non-residents (especially from Russia) to Armenia contributing to significant increase in the volume of money inflows from Russia, Ukraine and Belarus and activation of plastic cards transactions, which has had positive impact on the Armenian economy with the resulting double-digit growth, increased inflation rate generally increased revenue in the Company specifically. The Company's management is monitoring the economic situation in the current environment. As the war is still waging, it is impossible to reliably assess the final impact this may have on the Company's business as there is uncertainty over the magnitude of the impact on the economy in general.

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

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

(b) Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram ("AMD"), which is the Company's functional currency and the currency in which these financial statements are presented. These financial statements are presented in thousands of Armenian Dram ("AMD"), and all values are rounded to the nearest thousand, except when otherwise indicated.

(c) 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.

(d) Amendments to previous year financial statements amounts and disclosures

Certain amendments have been made to amounts and disclosures reported in the previous year financial statements such as:

- The presentation of net losses on revaluation of equity instruments at fair value through OCI under the heading "Items that will not be reclassified to profit or loss statement" in other comprehensive income, instead of previously reported heading "items that are or may be reclassified subsequently to profit or loss";
- The reclassification of prepayments given to intangible assets from current to non-current assets;
- The amendment in disclosure of related party transactions to separately disclose the transactions with parent, entities with significant influence and non-related party shareholders (as a supplementary information) instead of previously disclosed transactions with all the shareholders in total;
- The correction of the amount of fully amortised but still in use intangible assets.

These amendments had neither any impact on profit for the year, equity or statement of cash flows as previously reported nor significantly impacted the liquidity position or any other risk exposure of the Company.

3. Significant accounting policies

(a) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

3. Significant accounting policies (continued)

(a) Current versus non-current classification (continued)

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(b) Fair value measurement

The Company measures financial instruments such as investment securities at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. Significant accounting policies (continued)

(c) 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:

	31 December 2022	***31 December 2021***
AMD / 1 US dollar	393.57	480.14
AMD / 1 Euro	420.06	542.61

Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

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

(d) Property and equipment

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

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

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

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of the individual assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation commences when assets are available for use. Land is not depreciated.

The estimated useful lives are as follows:

- Buildings - 40 years;
- Computer equipment – 3-6 years;
- Servers - 10 years;
- Machinery and equipment - 10 years;
- Capital investments in the leased fixed assets - 10 years or lease term if lower;
- Vehicles - 10 years;
- Other - 8 years.

The Company reviews the expected useful lives of assets at least annually.

(e) 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 on a straight-line basis over the estimated useful lives of the intangible assets.

3. Significant accounting policies (continued)

(e) Intangible assets (continued)

The estimated useful lives are as follows:

- Computer software - 15 years;
- Licenses and trademarks - 15 years.

(f) Impairment of property and equipment and intangible assets

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

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

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

(g) Leases

The Company makes the use of leasing arrangements principally for the provision of the office space. The rental contracts for offices are typically negotiated for terms from 1 to 10 years and all of these have extension terms. The Company does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions.

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

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 (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date of the lease, the Company recognises 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. The 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 the 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 recognised as expenses (unless they are incurred to produce inventories) 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 its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3. Significant accounting policies (continued)

(g) Leases (continued)

On the statement of financial position, right-of-use assets have been included in the line of property and equipment.

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 from the commencement date and do not contain a purchase option).

(h) Inventories

Inventories are measured 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.

(i) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets - Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through PL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through PL, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, the Company classifies all of its financial assets in the followings categories:

- Financial assets at amortised cost;
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables and cash and cash equivalents.

3. Significant accounting policies (continued)

(i) Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as finance income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its equity investments under this category.

Dividend income is recognized when the shareholder's right to receive payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through PL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ii) Financial liabilities - Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through PL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and lease liabilities.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in financial liabilities at amortised cost.

3. Significant accounting policies (continued)

(i) Financial instruments – initial recognition and subsequent measurement (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(j) Equity

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

Fair value reserve records fair value changes in investment securities at fair value through OCI.

Accumulated earnings include all current and prior period retained profits.

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

(k) Grants

Grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received.

Grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other grants are recognized as income over the periods necessary to match them with the cost for which they are intended to compensate, on a systematic basis. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

(l) 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.

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

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

3. Significant accounting policies (continued)

(m) 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:

- Wages, salaries and bonuses;
- Paid annual leaves and paid disability leaves.

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

(a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Company shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund;

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

Paid absences

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

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

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

Bonuses

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

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

(n) Revenue recognition

The Company is in the business of providing payments processing and settlement services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in most part of its revenue arrangements, because it typically controls the goods or services before transferring them to the customer, except for the services when the Company acts as an agent, described below.

The Company purchases payments processing services and non-current assets from international organisations on behalf of its customers. Under these contracts, the Company provides procurement services. The Company does not have control of the services and non-current assets before it is being transferred to the customer. The Company is acting as an agent and recognises revenue at the net amount that is retained for these arrangements. Revenue is recognised at a point in time (i.e., upon receipt of the customer of the service or non-current asset) because this is when the customer benefits from the Company's procurement services.

Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised services to its customers. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and rebates allowed by the Company.

Wire transfer services

Revenue arises from commissions paid by banks against the wire transfer services.

3. Significant accounting policies (continued)

(n) Revenue recognition (continued)

Wire transfer services mainly include:

- Cash advance via ATMs and POS terminals;
- Payments in sale/service points for purchasing goods or services via POS;
- Utility payments via ATMs;
- Electronic payments via internet, e-commerce;
- SMS services;
- Card to card money transfer and other.

Embossing and encoding of issued cards

Revenue from embossing and encoding of cards issued by banks in "ArCa" payment system is recognized when the transaction is actually performed.

Annual membership fees

Revenue is recognized on an annual basis from annual membership fees paid by the member banks of "ArCa" payment system for rendered services as well as for issuing and servicing of cards.

Non-refundable upfront fee for connection to ARCA system

The company recognizes non-refundable upfront fees for connecting to "ArCa" payment system as revenue received at a point in time at the moment the candidate bank receives payment processing and settlement services by the Company.

(o) Dividend income

Dividend income is recognized when the shareholder's right to receive payment has been established.

(p) Cash

For the purpose of the statement of cash flows, cash and cash equivalents, which represent current accounts in banks and deposits with term less than 90 days, are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and 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 cash and cash equivalents if it is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value.

(q) New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the financial statements of the Company.

3. Significant accounting policies (continued)

(q) New and amended standards and interpretations (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contracts with extension options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

When the Company has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension option. As of the reporting date the extension periods were not included in the lease term as part of the lease term as these are not reasonably certain to be exercised.

Revenue

Significant judgment was exercised in determining accounting policies for the following revenue streams:

Non-refundable upfront fees – connection to ARCA system

Upfront one-time fees paid by banks to connect to ARCA system are recognized at a point in time at the moment the paying bank is able to benefit from connecting to ARCA, i.e., it becomes capable offering transaction services processed through ARCA system.

Non-refundable upfront fees – ATM, POS registration and profile changes

Revenue from ATM, POS registration and profile changes are recognized at the moment the registration works are completed and not deferred during the expected life of respective ATM and POS machines as the registration works are considered as distinct performance obligation, particularly the Company is not able to control the operation of ATM and POS terminals and ongoing terminals transactions processing services are also provided to the banks which have registered their terminals on their own.

4. Significant accounting judgements, estimates and assumptions (continued)

Revenue (continued)

Principal versus agency relationship

The Company has determined that it acts as a principal in all the revenue transactions as it controls the services before transferring to customers. Particularly the entity is primarily responsible for fulfilling the promise to provide the services and it has discretion in establishing prices for rendered service.

Determining related parties

The Company considers some of its shareholders as related parties, as they have significant influence over the Company. Significant influence is the power to participate in the financial and operating policy decisions of the investee. If an entity holds 20 % or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. However, conversely entity can own less than 20% of the investee and still have significant influence over it, which is usually evidenced in one or more of the following ways:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the entity and its investee;
- Interchange of managerial personnel;
- Provision of essential technical information.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The useful lives of property and equipment and intangible assets

On 1 January 2022 considering the recent changes in the technological market, including the nature of services offered the management has reviewed the estimated useful lives of the property, equipment and intangible assets. In determining the useful lives the management has considered all the relevant factors such as the expected usage of assets, normative lives of the assets, technical or commercial obsolescence, legal/contractual limits of assets usage etc. The impacts of the estimate change have been recognized prospectively and disclosed in note 6 and note 7.

5. New standards and interpretations not yet adopted

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice.

5. New standards and interpretations not yet adopted (continued)

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company’s financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Company is currently assessing the impact of the amendments.

6. Property, plant and equipment

’000 AMD	*Land and building*	*Computer equipment*	*Machinery and equipment*	*Vehicles*	*Capital investments in the leased fixed assets*	*Other*	*Right-of-use asset Office premises*	*Total*
Cost								
At 1 January 2021	**94,213**	**714,100**	**1,028,159**	**19,592**	**10,998**	**72,497**	**373,732**	**2,313,291**
Additions	–	698,465	143,497	–	3,531	5,422	–	**850,915**
Disposals and write-offs	–	(902)	(18,737)	–	–	(3,845)	–	**(23,484)**
At 31 December 2021	**94,213**	**1,411,663**	**1,152,919**	**19,592**	**14,529**	**74,074**	**373,732**	**3,140,722**
Additions	–	28,669	243,568	–	1,880	6,459	–	**280,576**
Disposals and write-offs	–	(71,839)	(33,862)	–	–	(5,058)	–	**(110,759)**
At 31 December 2022	**94,213**	**1,368,493**	**1,362,625**	**19,592**	**16,409**	**75,475**	**373,732**	**3,310,539**
Depreciation								
At 1 January 2021	**43,265**	**380,285**	**556,697**	**10,393**	**6,573**	**54,765**	**141,578**	**1,193,556**
Depreciation for the year	1,837	161,241	148,773	1,956	1,678	6,085	70,790	**392,360**
Disposals and write-offs	–	(555)	(14,046)	–	–	(3,575)	–	**(18,176)**
At 31 December 2021	**45,102**	**540,971**	**691,424**	**12,349**	**8,251**	**57,275**	**212,368**	**1,567,740**
Depreciation for the year	1,838	116,536	93,263	1,957	1,853	6,495	70,789	**292,731**
Disposals and write-offs	–	(71,620)	(26,603)	–	–	(4,215)	–	**(102,438)**
At 31 December 2022	**46,940**	**585,887**	**758,084**	**14,306**	**10,104**	**59,555**	**283,157**	**1,758,033**
Net book value								
At 31 December 2021	**49,111**	**870,692**	**461,495**	**7,243**	**6,278**	**16,799**	**161,364**	**1,572,982**
At 31 December 2022	**47,273**	**782,606**	**604,541**	**5,286**	**6,305**	**15,920**	**90,575**	**1,552,506**

6. Property, plant and equipment (continued)

The Company does not have any pledged fixed assets at reporting date.

Depreciation amounting to AMD 277,220 thousand (2021: AMD 376,737 thousand) has been charged to cost of sales, AMD 15,511 thousand (2021: AMD 15,623 thousand) to administrative expenses.

As of 31 December 2022 property and equipment included fully depreciated but still in use assets at cost of AMD 210,483 (2021: AMD 283,232 thousand).

On 1 January 2022 the Company management has reviewed the estimates of useful lives for property and equipment. The following table provides information on the impact of change on the financial statements amounts.

Impact	***'000 AMD***
Decrease of depreciation for 2022 recognised in profit or loss	137,034
Increase of property and equipment at 31 December 2022	137,034

The amount of the effect in future periods is not disclosed due to the fact that estimating it is impracticable.

7. Intangible assets

'000 AMD	***Computer software***	***Licenses and trademarks***	***Total***
Cost			
At 1 January 2021	**859,361**	**616,990**	**1,476,351**
Additions	89,333	–	**89,333**
Disposals and write-offs	(15)	(189)	**(204)**
At 31 December 2021	**948,679**	**616,801**	**1,565,480**
Additions	133,945	192,846	**326,791**
Disposals and write-offs	(13,445)	(2,754)	**(16,199)**
At 31 December 2022	**1,069,179**	**806,893**	**1,876,072**
Amortization			
At 1 January 2021	**493,109**	**334,175**	**827,284**
Amortization for the year	84,581	51,417	**135,998**
Disposals and write-offs	(15)	(47)	**(62)**
At 31 December 2021	**577,675**	**385,545**	**963,220**
Amortization for the year	53,219	33,990	**87,209**
Disposals and write-offs	(10,320)	(1,528)	**(11,848)**
At 31 December 2022	**620,574**	**418,007**	**1,038,581**
Net book value			
At 31 December 2021	**371,004**	**231,256**	**602,260**
At 31 December 2022	**448,605**	**388,886**	**837,491**

Amortization amounting to AMD 87,199 thousand (2021: AMD 135,952 thousand) has been charged to cost of sales, AMD 10 thousand (2021: AMD 46 thousand) to administrative expenses.

As of 31 December 2022 intangible assets included fully amortized but still in use assets in amount of AMD 248,967 thousand (2021: AMD 249,323 thousand).

On 1 January 2022 the Company management has reviewed the estimates of useful lives for intangible assets. The following table provides information on the impact of change on the financial statements amounts.

Impact	***'000 AMD***
Decrease of amortization for 2022 recognised in profit or loss	53,769
Increase of intangible assets at 31 December 2022	53,769

The amount of the effect in future periods is not disclosed due to the fact that estimating it is impracticable.

8. Investment securities

'000 AMD	*31 December 2022*	*31 December 2021*
Investment securities designated as at fair value through OCI – equity investments	209,800	264,479
Total	**209,800**	**264,479**

Equity instruments comprise 15,330 class B common shares of MasterCard Incorporated which belong to the Company.

Class B stock is not publicly traded stock and may be owned by eligible members of MasterCard Incorporated only, however, can be converted to Class A stock, which is publicly traded and listed on the New York Stock Exchange.

9. Other non-current assets

'000 AMD	*31 December 2022*	*31 December 2021*
Prepayments given for property, equipment and intangible assets	109,944	99,977
Deposited amount for lease	7,530	7,530
Total	**117,474**	**107,507**

10. Inventories

'000 AMD	*31 December 2022*	*31 December 2021*
Goods for resale	25,486	4,672
Materials	3,626	5,184
	29,112	**9,856**

None of the inventories are pledged. The cost of inventories recognized as an expense during the year is AMD 20,819 thousand (2021: AMD 15,651 thousand).

11. Deferred expenses

Deferred expenses comprise prepayments made for the payment system software support and maintenance and other expenses, which do not relate to the reporting period with a term up to one year. These are expensed in the period to which they relate.

Deferred expenses amounting to AMD 339,382 thousand (2021: AMD 338,856 thousand) has been recycled to wire transfer software maintenance expenses in cost of sales, AMD 3,479 thousand (2021: AMD 2,990 thousand) to administrative expenses.

12. Trade and other receivables

'000 AMD	*31 December 2022*	*31 December 2021*
Financial assets		
Trade receivables from		
- banks rated Ba3	84,903	48,866
- banks rated from B1 to B2	101,743	115,427
- banks - unrated	46,869	32,071
- other financial institutions – unrated	490	449
	234,005	**196,813**
Non-financial assets		
Prepayments	33,269	42,497
Receivables from the State budget	11,832	22,479
Other	102	2,943
	45,203	**67,919**
	279,208	**264,732**

12. Trade and other receivables (continued)

All amounts outstanding as at 31 December 2022 and 2021 are short-term, not past due and are generally recoverable. The average period on trade receivables is 21 days (2021: 23 days). Trade receivables are not secured and no interest is charged on the trade receivables. The Company uses credit ratings per Moody's rating agency in disclosing credit quality.

The Company's exposure to credit and currency risks related to trade and other receivables are disclosed in note 23.

13. Cash and cash equivalents

Cash represents balances in the Central Bank of Armenia (CBA) and commercial banks of the Republic of Armenia.

'000 AMD	*31 December 2022*	*31 December 2021*
Accounts in the commercial banks		
- rated B1 to B2	536,944	171,193
- not rated	246	256
Total accounts in the commercial banks	**537,190**	**171,449**
Account in the CBA	256,666	44,086
Total cash and cash equivalents	**793,856**	**215,535**

Cash and cash equivalents are non-interest bearing. The Company uses credit ratings per Moody's rating agency in disclosing credit quality.

The Company's exposure to credit and currency risks for financial assets and liabilities are disclosed in note 23.

14. Capital and reserves

14.1 Share Capital

'000 AMD	*31 December 2022*	*31 December 2021*
Issued and fully paid		
80 ordinary shares of AMD 16,500 thousand each	1,320,000	1,320,000
Total share capital	**1,320,000**	**1,320,000**

The Company has one class of ordinary shares, which carry no right to fixed income. The table below provides information on the holders of ordinary shares and percentage ownership as at 31 December 2022 and 2021.

N		***Shares quantity***	***Share percentage (%)***
1	Central Bank of Armenia	45	56.25
2	Acba Bank OJSC	5	6.25
3	Armeconombank OJSC	5	6.25
4	Araratbank OJSC	5	6.25
5	Converse Bank CJSC	4	5.00
6	Ardshinbank CJSC	4	5.00
7	Ameriabank CJSC	3	3.75
8	Artsakhbank CJSC	1	1.25
9	Armbusinessbank CJSC	1	1.25
10	HSBC Bank Armenia CJSC	1	1.25
11	Inecobank CJSC	1	1.25
12	Unibank OJSC	1	1.25
13	ID Bank CJSC	1	1.25
14	Evocabank CJSC	1	1.25
15	Byblos Bank Armenia CJSC	1	1.25
16	Armswissbank CJSC	1	1.25
		80	**100.00**

14. Capital and reserves (continued)

14.2 Dividends

In 2022 dividends have not been paid or proposed to holders of ordinary shares (2021: either).

14.3 Reserve capital

The Company creates reserve funds. The Company's reserve fund should be not less than 15% of share capital and is generated through the distribution of profit of the reporting period. Means of the reserve fund are used by the regulation and purposes defined by the law.

14.4 Fair value reserve

The revaluation reserve for investment securities comprises the cumulative net change in the fair value of investment securities measured at fair value through OCI, until the assets are derecognised through transfer to retained earnings.

15. Leases

The Company leases office premises. The leases typically run for a period from 5 to 9 years with remaining term of 1 to 5 years as at the reporting date. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are non-cancellable. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The Company has certain leases of other spaces with lease terms of less than 12 months. The Company applies "short-term lease" recognition exemption for these leases.

Set out in note 6 and in below table are the carrying amounts of right-of-use assets recognised and the movements during the period:

'000 AMD	*2022*	*2021*
As at 1 January	161,364	232,154
Depreciation expense	(70,789)	(70,790)
As at 31 December	**90,575**	**161,364**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

'000 AMD	*2022*	*2021*
As at 1 January	188,343	257,043
Accretion of interest (note 15)	17,068	25,103
Payments	(93,876)	(93,803)
As at 31 December	**111,536**	**188,343**
Current	85,855	76,882
Non-current	25,681	111,461

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). Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

'000 AMD	*31 December 2022*	*31 December 2021*
Short-term leases (note 15)	3,150	3,150
	3,150	**3,150**

16. Grants related to assets

'000 AMD	*31 December 2022*	*31 December 2021*
Balance at the beginning of the year	**8,746**	**9,302**
Recognized as other income	(556)	(556)
Balance at the end of the year	**8,190**	**8,746**

17. Income tax

The Company's applicable tax rate is the income tax rate of 18% (2021: 18%). The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

'000 AMD	*2022*	*2021*
Current tax	214,407	79,275
Deferred tax	(11,137)	(3,036)
Total	**203,270**	**76,239**

Reconciliation of effective tax rate:

	2022		*2021*	
	'000 AMD	*%*	*'000 AMD*	*%*
Profit before income tax	**1,063,197**		**387,021**	
Income tax at applicable tax rate	**191,375**	**18**	**69,664**	**18**
Foreign exchange losses	2,804	–	250	–
Non-deductible items	9,091	1	6,325	2
	203,270	**19**	**76,239**	**20**

The movement of deferred income taxes is disclosed below:

'000 AMD	*2022*	*2021*
Balance at the beginning of year	**(27,742)**	**(34,644)**
Charged to profit or loss	11,137	3,036
Charged in other comprehensive income	9,842	3,866
Balance at the end of year	**(6,763)**	**(27,742)**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

'000 AMD	*1 January 2022*	*Recognized in other comprehensive income*	*Recognized in profit or loss*	*31 December 2022*
Right-of-use assets	(29,046)	–	12,742	(16,304)
Investment securities	(44,398)	9,842	–	(34,556)
Lease liabilities	33,902	–	(13,825)	20,077
Trade and other payables	11,800	–	3,453	15,253
Property, equipment and intangible assets	–	–	2,174	2,174
Deferred expenses	–	–	1,643	1,643
Received advances	–	–	4,950	4,950
Tax assets/(liabilities)	**(27,742)**	**9,842**	**11,137**	**(6,763)**

17. Income tax (continued)

Recognised deferred tax assets and liabilities (continued)

'000 AMD	*1 January 2021*	*Recognized in other comprehensive income*	*Recognized in profit or loss*	*31 December 2021*
Right-of-use assets	(41,788)	–	12,742	(29,046)
Investment securities	(48,264)	3,866	–	(44,398)
Lease liabilities	46,268	–	(12,366)	33,902
Trade and other payables	9,140	–	2,660	11,800
Net position – deferred income tax liabilities	**(34,644)**	**3,866**	**3,036**	**(27,742)**

18. Trade and other payables

'000 AMD	*31 December 2022*	*31 December 2021*
Financial liabilities		
Trade payables	110,715	91,552
Liabilities on personnel	84,743	65,555
	195,458	**157,107**
Non-financial liabilities		
Advances received	27,500	–
Taxes and duties payable	62,557	47,018
	90,057	**47,018**
	285,515	**204,125**

As of 31 December 2022, advances received include non-refundable upfront fee received for connecting to “ArCa” payment system paid by Fast Bank. No interest is charged on the trade payables.

The Company’s exposure to credit and currency risks related to trade and other receivables are disclosed in note 23.

19. Revenue

'000 AMD	*2022*	*2021*
Cash advance via ATMs and POS terminals	1,126,686	903,971
SMS services	755,014	740,121
Non-cash transactions with POS terminals	691,850	383,988
International transactions and maintenance of international card database	652,732	591,992
ATM, POS registration and profile changes	188,225	49,023
Maintenance of Arca cards data base and service centers	172,845	143,793
Servicing of ATMs	50,852	50,584
Embossing and encoding of cards	50,092	39,514
Annual membership fees	39,500	39,500
Other	63,066	100,821
	3,790,862	**3,043,307**

Prior year revenue amounts of certain line items have been changed due to reclassifications made to conform to classifications used in the current year.

20. Cost of sales

'000 AMD	*2022*	*2021*
Employee compensations	1,015,972	799,526
Communication expenses	663,918	669,223
Depreciation and amortization	364,419	512,689
Wire transfer software maintenance expenses	349,035	345,871
Material expenses	18,574	15,337
Utility costs	15,140	11,810
Fixed assets maintenance	12,938	15,793
Consulting expenses	10,550	7,200
Training expenses	5,863	4,474
Business trip expenses	3,339	797
Operating lease expenses	3,150	3,150
Other	8,304	29,885
	2,471,202	**2,415,755**

21. Administrative expenses

'000 AMD	*2022*	*2021*
Employee compensations	176,567	148,935
Depreciation and amortization	15,521	15,669
Consulting services	6,350	7,860
Taxes, other than income tax, duties	2,937	23,911
Fixed assets maintenance	2,214	2,160
Communication expenses	2,186	2,324
Other	14,430	10,274
	220,205	**211,133**

22. Finance income and costs

'000 AMD	*2022*	*2021*
Dividend income	3,599	13,570
Interest income from repurchase operations with financial institutions	–	713
Total finance income	**3,599**	**14,283**
Interest expenses for lease arrangements	(17,068)	(25,103)
Interest expenses for borrowings	–	(1,540)
Total finance costs	**(17,068)**	**(26,643)**
Net finance costs	**(13,469)**	**(12,360)**

23. Financial risk management

The Company's principal financial liabilities comprise lease liabilities and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables, and cash and cash equivalents that derive directly from its operations. The Company also holds investments in equity instruments.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks, identifies the financial risks, sets up appropriate financial risk governance framework, ensures that the financial risk activities are governed by appropriate policies and procedures. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to the following types of market risks: currency risk and equity price risk. Financial instruments affected by market risk include cash and cash equivalents and equity investment securities.

23. Financial risk management (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency). Foreign currency denominated financial assets which expose the Company to currency risk are disclosed below:

As of 31 December 2022

'000 AMD	*US dollar*	*Euro*
Financial assets		
Cash and cash equivalents	31,065	127,216
Investment securities at fair value through OCI	209,800	–
Total financial assets	**240,865**	**127,216**

As of 31 December 2021

'000 AMD	*US dollar*	*Euro*
Financial assets		
Cash and cash equivalents	26,049	–
Investment securities at fair value through OCI	264,479	–
Total financial assets	**290,528**	**–**

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EUR exchange rates, with all other variables held constant. The impact on the Company's profit is due to changes in the fair value of monetary assets and liabilities. The impact on the Company's equity is due to changes in the retained earnings and other comprehensive income. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in USD rate	*Effect on profit or loss*	*Effect on equity*
2022	+12.62%	3,920	30,397
	-12.62%	(3,920)	(30,397)
2021	+10.00%	2,604	29,053
	-10.00%	(2,604)	(29,053)

	Change in EUR rate	*Effect on profit or loss*	*Effect on equity*
2022	+21.31%	27,110	27,110
	-21.31%	(27,110)	(27,110)
2021	+10.00%	–	–
	-10.00%	–	–

Equity price risk

The Company's listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's Board of Directors reviews and approves all equity investment decisions.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including bank accounts. The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

23. Financial risk management (continued)

Credit risk (continued)

'000 AMD	*31 December 2022*	*31 December 2021*
Financial assets at carrying amounts		
Trade receivables	234,005	196,813
Cash and cash equivalents	793,856	215,535
	1,027,861	**412,348**

Trade receivables

The Company's exposure to credit risk is influenced mainly by individual characteristics of each customer however management also considers the factors that may influence the credit risk of the customer group, including the default risk associated with the industry and country in which the customers operate. The trade receivables are due from Central bank of Armenia and Armenian banks with respect to delivered processing and related services, 99.7% of the trade receivable balance are from the shareholders of the Company (note 29). The turnover of trade receivables is quick, and the majority of the receivables are from banks rated B1 to B2 by Moody's rating agency. No provision was recognised for expected credit losses were recognized for the trade receivables.

Of the trade receivables balance at the end of the year, AMD 114,258 thousand (2021: AMD 66,554 thousand) is due from two largest bank customers which did not exceed 5 per cent of total assets. Apart from this, the Company does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

Cash and cash equivalents

Cash and cash equivalents have quick turnover and are placed in Central bank of Armenia and commercial banks of Armenia, which are mainly rated B1 to B2 by Moody's rating agency (note 13). No provision for expected credit losses were recognized on the cash and cash equivalents.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk are set out below.

'000 AMD	*31 December 2022*	*31 December 2021*
Unsecured bank credit line facility		
Amount used	–	–
Amount unused	250,000	–

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

31 December 2022	***Less than 1 month***	***1-3 months***	***3 months to 1 year***	***1 to 2 years***	***2-5 years***	***More than 5 years***	***Total***	***Carrying amount***
	'000 AMD	*'000 AMD*	*'000 AMD*	*'000 AMD*	*'000 AMD*	*'000 AMD*	*'000 AMD*	*'000 AMD*
Trade and other payables	–	110,715	84,743	–	–	–	195,458	195,458
Lease liabilities	7,823	15,646	70,407	24,135	2,664	–	120,675	111,536
Total	**7,823**	**126,361**	**155,150**	**24,135**	**2,664**	**–**	**316,133**	**306,994**

31 December 2021	***Less than 1 month***	***1-3 months***	***3 months to 1 year***	***1 to 2 years***	***2-5 years***	***More than 5 years***	***Total***	***Carrying amount***
	'000 AMD	*'000 AMD*	*'000 AMD*	*'000 AMD*	*'000 AMD*	*'000 AMD*	*'000 AMD*	*'000 AMD*
Trade and other payables	–	91,552	65,555	–	–	–	157,107	157,107
Lease liabilities	7,823	15,646	70,407	93,876	25,911	888	214,551	188,343
Total	**7,823**	**107,198**	**135,962**	**93,876**	**25,911**	**888**	**371,658**	**345,450**

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).

(a) Financial instruments that are not measured at fair value

The table below presents the fair value of financial assets and liabilities not measured at their fair value in the statement of financial position and analyses them by the level in the fair value hierarchy into which fair value measurement is categorised.

As of 31 December 2022

'000 AMD	*Level 1*	*Level 2*	*Level 3*	*Total fair values*	*Total carrying amount*
Financial assets					
Trade receivables	–	234,005	–	**234,005**	**234,005**
Cash and cash equivalents	–	793,856	–	**793,856**	**793,856**
Financial liabilities					
Trade and other payables	–	195,458	–	**195,458**	**195,458**
Lease liabilities	–	111,536	–	**111,536**	**111,536**

As of 31 December 2021

'000 AMD	*Level 1*	*Level 2*	*Level 3*	*Total fair values*	*Total carrying amount*
Financial assets					
Trade receivables	–	196,813	–	**196,813**	**196,813**
Cash and cash equivalents	–	215,535	–	**215,535**	**215,535**
Financial liabilities					
Trade and other payables	–	157,107	–	**157,107**	**157,107**
Lease liabilities	–	188,343	–	**188,343**	**188,343**

Trade receivables, trade payables and cash and cash equivalents

Trade receivables, trade payables and cash and cash equivalents are liquid or have a short term maturity (less than three months) therefore it is assumed that the carrying amounts approximate to their fair values.

Lease liabilities

The fair value of lease liabilities is estimated using discounted cash flow techniques, applying the market interest rates that the Company would have to pay as of the reporting date to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use assets.

(b) Financial instruments that are measured at fair value

As of 31 December 2022

'000 AMD	*Level 1*	*Level 2*	*Level 3*	*Total fair values*	*Total carrying amount*
Financial assets					
Listed equity investments	209,800	–	–	209,800	209,800

As of 31 December 2021

'000 AMD	*Level 1*	*Level 2*	*Level 3*	*Total fair values*	*Total carrying amount*
Financial assets					
Listed equity investments	264,479	–	–	264,479	264,479

24. Fair value measurement (continued)

(b) Financial instruments that are measured at fair value (continued)

Investment securities have been valued using quoted prices for these securities available in the active market.
The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Listed equity investments represent investments in the shares of MasterCard Incorporated.

25. Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows:

	2022		*2021*	
'000 AMD	***Lease liabilities***	***Total***	***Lease liabilities***	***Total***
As of 1 January	**188,343**	**188,343**	**257,043**	**257,043**
Cash flows				
Repayments	(93,876)	**(93,876)**	(93,803)	**(93,803)**
Non cash flows				
Accretion of interest	17,068	**17,068**	25,103	**25,103**
As of 31 December	**111,536**	**111,536**	**188,343**	**188,343**

26. Capital management

For the purpose of the Company's capital management, capital includes issued capital, all other equity reserves attributable to the equity holders of the Central Bank of Armenia and net debt. Net debt is defined as sum of borrowings and lease liabilities after deducting cash and cash equivalents. The primary objective of the Company's capital management is to maximise the shareholder value.

Management seeks to maintain a sufficient capital base for meeting the Company's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Company's revenues and profit, and long-term investment plans mainly financed by the Company's operating cash flows. With these measures the Company aims for steady profits growth. There were no changes in the Company's approach to capital management during the year.

The Central Bank of Armenia sets and monitors capital requirements for the Company. Under the current capital requirements set by the Central Bank of Armenia, the Company has to maintain a minimum total capital of AMD 100,000 thousand (2021: AMD 100,000 thousand). The Company is in compliance with minimum total capital requirements as at 31 December 2022 and 2021.

27. Commitments

As of 31 December 2022 the Company have contractual commitments in respect of acquisition property, equipment and intangible assets at the amount of AMD 68,377 thousand (2021: AMD 30,537 thousand).

28. Contingencies

(a) 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 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.

(b) Litigation

The Company does not have litigations that may have a material effect on the Company's results of operations or financial position.

28. Contingencies (continued)

(c) Taxation

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

29. Related parties

The Company's related parties include its shareholders, key management.

Control relationships

The Central Bank of the Republic of Armenia, which owns 56.25% of the Company's shares, is the ultimate controlling party of the Company.

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.

Statement of profit or loss and other comprehensive income

'000 AMD	***2022***	***2021***
Parent company – Central Bank of Armenia		
Cost of sales	5,042	5,426
Entities with significant influence over the Company		
Revenue	2,551,736	1,781,416
Other income	4,034	1,874
Interest income	–	713
*Other shareholders (not related party)**		
Revenue	1,217,456	1,207,166
Other income	1,038	963

* *The information regarding other non-related party shareholder banks is presented as supplementary information.*

Outstanding balances

'000 AMD	***31 December 2022***	***31 December 2021***
Parent company – Central Bank of Armenia		
Cash and cash equivalents	256,666	44,086
Trade and other payables	837	190
Entities with significant influence over the Company		
Trade and other receivables	175,568	98,455
Cash and cash equivalents	402,184	145,841
Trade and other payables	8,545	
*Other shareholders (not related party)**		
Trade and other receivables	57,697	95,382
Cash and cash equivalents	135,006	25,608

***** *The information regarding other non-related party shareholder banks is presented as supplementary information.*

29. Related parties (continued)

Transactions with management

Key management received the following remuneration during the year, which is included in employee benefits.

'000 AMD	*2022*	*2021*
Salaries and bonuses	140,571	112,750

30. Company as an intermediary between banks and international financial institutions

Insurance deposit

The associated banks of MasterCard have deposited insurance fees as a guarantee for transactions performed in the MasterCard payment system through the cards issued by the respective bank. The Company collects the deposited amounts and distributes the deposit income to the commercial banks.

The deposit account was opened by the name of the Company, but this account as well as its related liability have not been included in the Company's financial statements, since the risks and rewards of the deposits belong to the MasterCard and the commercial banks. As of 31 December 2022, the deposits amount to AMD 718,063 thousand (31 December 2021: AMD 887,212 thousand).

Banking (processing) account

Payments (routing and processing) for transactions made through the "ArCa" and "MasterCard" cards are performed through the bank account opened in the "HSBC Bank Armenia" CJSC on the name of the Company. However, the balance on this bank account as well as liability have not been included in the financial statements of the Company, since the risks and rewards do not belong to the Company. As of 31 December 2022, the account balance amount to AMD 1,524,997 thousand (31 December 2021: AMD 1,857,380 thousand).