Armenian Card CJSC

Financial statements

For the year ended 31 December 2023
together with independent auditor's report

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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 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 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) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with 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.

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.

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Auditor's responsibilities for the audit of the financial statements

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

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

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

We communicate with 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 Eric Hayrapetyan

Partner (Assurance) Dmytro Iurgelevych

19 February 2024

Statement of financial position

As at 31 December 2023

'000 AMD	*Note*	*31 December 2023*	*31 December 2022*
Assets			
Non-current assets			
Property, equipment and right-of-use assets	5	1,814,123	1,552,506
Intangible assets	6	868,911	837,491
Investment securities	7	264,668	209,800
Prepayments for property, equipment and other non-current assets	8	1,364,444	117,474
Total non-current assets		4,312,146	**2,717,271**
Current assets			
Inventories		17,473	29,112
Deferred expenses	9	237,408	243,341
Trade and other receivables	10	352,867	279,208
Cash and cash equivalents	11	449,012	793,856
Total current assets		**1,056,760**	**1,345,517**
Total assets		**5,368,906**	**4,062,788**
Equity			
Share capital	12.1	1,320,000	1,320,000
Reserve capital	12.3	376,968	376,968
Fair value reserve	12.4	195,407	157,423
Retained earnings		2,913,769	1,645,405
Total equity		**4,806,144**	**3,499,796**
Liabilities			
Non-current liabilities			
Lease liabilities	13	–	25,681
Grants related to assets		7,634	8,190
Deferred income tax liabilities	14	14,418	6,763
Total non-current liabilities		**22,052**	**40,634**
Current liabilities			
Trade and other payables	15	366,189	285,515
Lease liabilities	13	25,755	85,855
Current income tax liabilities		148,766	150,987
Total current liabilities		**540,710**	**522,357**
Total liabilities		**562,762**	**562,991**
Total equity and liabilities		**5,368,906**	**4,062,787**

These financial statements were approved by management on 19 February 2024 and were signed on its behalf 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 5-24

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

'000 AMD	*Note*	*2023*	*2022*
Revenue	16	5,307,363	3,790,862
Cost of sales	17	(3,502,353)	(2,471,202)
Gross profit		**1,805,010**	**1,319,660**
Other income		7,351	12,114
Distribution expenses		(3,422)	(2,967)
Administrative expenses	18	(297,349)	(220,205)
Loss on disposal of property and equipment and intangible assets		(3,559)	(1,881)
Other expenses		(10,886)	(14,475)
Results from operating activities		**1,497,145**	**1,092,246**
Finance income	19	66,727	3,599
Finance costs	19	(8,095)	(17,068)
Net gain/(loss) from foreign currency operations		8,941	(15,580)
Profit before income tax		**1,564,718**	**1,063,197**
Income tax expense	14	(296,354)	(203,270)
Profit for the year		**1,268,364**	**859,927**
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)			
Net gains (losses) on revaluation of equity instruments at fair value through OCI, net of tax		37,984	(44,837)
Total other comprehensive income (loss)		**37,984**	**(44,837)**
Total comprehensive income for the year		**1,306,348**	**815,090**

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 5-24.

Statement of changes in equity

For the year ended 31 December 2023

'000 AMD	*Share capital*	*Reserve capital*	*Fair value reserve*	*Retained earnings*	*Total*
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					
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**
As of 1 January 2023	**1,320,000**	**376,968**	**157,423**	**1,645,405**	**3,499,796**
Profit for the year				1,268,364	**1,268,364**
Other comprehensive income					
Net change in fair value of equity instruments at fair value through OCI, net of tax	–	–	37,984	–	**37,984**
Total comprehensive income for the year	**–**	**–**	**37,984**	**1,268,364**	**1,306,348**
As of 31 December 2023	**1,320,000**	**376,968**	**195,407**	**2,913,769**	**4,806,144**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements, numbered 5-24.

Statement of cash flows

For the year ended 31 December 2023

'000 AMD	*Note*	*2023*	*2022*
Operating activities			
Profit for the year		1,268,364	859,927
Adjustments to reconcile profit for the year to net cash flows:			
Depreciation and amortization	5,6	525,773	379,940
Net loss on disposal of property, equipment and intangible assets		3,559	1,881
Income tax expense	14	296,354	203,270
Income from grants		(556)	(556)
Net finance (income) costs	19	(58,632)	13,469
Foreign exchange (gain) loss		(8,941)	15,580
Operating profit before working capital changes		**2,025,921**	**1,473,511**
Working capital changes:			
Change in trade and other receivables		(73,659)	(14,476)
Change in inventories		11,639	(19,256)
Change in deferred expenses		(116,247)	(123,883)
Change in trade and other payables		80,674	81,390
Operating profit before income tax paid		**1,928,328**	**1,397,286**
Income tax paid		(300,796)	(106,567)
Net cash flows from operating activities		**1,627,532**	**1,290,719**
Investing activities			
Acquisition of property and equipment and intangible assets		(1,951,339)	(617,334)
Proceeds from sale of property and equipment		4,179	10,791
Interest received		66,727	–
Dividends received		–	3,599
Net cash flows used in investing activities		**(1,880,433)**	**(602,944)**
Financing activities			
Repayment of lease liabilities	22	(93,876)	(93,876)
Net cash flows used in financing activities		**(93,876)**	**(93,876)**
Net (decrease)/increase in cash and cash equivalents		**(346,777)**	**593,899**
Net foreign exchange difference		1,935	(15,580)
Cash and cash equivalents at 1 January		793,854	215,535
Cash and cash equivalents at 31 December	11	**449,012**	**793,854**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements, numbered 5-24.

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 shareholders of the Company are the Central Bank of Armenia and commercial banks of the Republic of Armenia licensed by the Central Bank of Armenia (refer to note 12).

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 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 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.

(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 cards transactions, which has had positive impact on the Armenian economy with the resulting double-digit growth 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.

3. Accounting policies

In accordance with the amendments to IFRSs *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2* that became effective on 1 January 2023 as disclosed in Note 3 (i) below, the Company revised its disclosure of accounting policies. The revised material accounting policy information focuses on how the Company has applied the requirements of the IFRSs to its own circumstances and includes largely items where the Company chose an accounting policy from one or more options permitted by IFRSs, items subject to significant judgments or estimates, and excludes information that only duplicates or summarizes the requirements of IFRSs, as well as accounting policies about immaterial matters.

(a) Fair value measurement

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

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.

(b) 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 2023	***31 December 2022***
AMD / 1 US dollar	404.79	393.57
AMD / 1 Euro	447.90	420.06

3. Accounting policies (continued)

(c) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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. 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;
- Leasehold improvements - 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.

(d) 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.

The estimated useful lives are as follows:

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

(e) Financial instruments

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

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

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 profit or loss when the right of payment has been established.

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

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.

For trade receivables, 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.

3. Accounting policies (continued)

i) Financial liabilities

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

All of the Company's financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

For purposes of subsequent measurement, the Company's financial liabilities are classified in financial liabilities at amortised cost.

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 as by changing the currency of the liability or by introduction of an equity conversion feature), 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.

(f) 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.

Retained earnings include all current and prior period retained profits.

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

(g) Revenue recognition

The Company is in the business of providing payments processing and settlement 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. Invoicing and settlement usually occurs monthly or more frequently.

Wire transfer services

Revenue arises from commissions paid by the customer banks to the Company for the wire transfer services.
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.

3. Accounting policies (continued)

(g) Revenue recognition (continued)

Embossing and encoding of issued cards

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

Annual membership fees

Revenue is recognized over time 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.

(h) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent current accounts in banks and deposits with term less than 90 days at origination.

(i) 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 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. With exception of amendments to IAS 1 and IFRS Practice Statement 2 as disclosed in this Note, no other standard or amendment affected the Company’s financial statements:

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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.

IFRS 17 Insurance Contracts

Definition of Accounting Estimates - Amendments to IAS 8

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

(j) 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. The amendments are not expected to have a material effect on the Company’s financial statements:

- *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback;*
- *Amendments* to IAS 1: Classification of Liabilities as Current or Non-current;
- *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7.*

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.

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

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:

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.

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.

The Company determined, having exercised significant judgment, that six commercial banks owning highest percentages of total issued shares (Note 12) and ranked as Class A and Class B shareholders are Company's related parties because they have significant influence over the Company via the power to participate in the financial and operational decisions considering their level of presence in Board of directors and the established roles in the decision-making process (Note 26).

Climate-related matters

The Company considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the Company due to both physical and transition risks. The Company believes its business model and products will still be viable after the transition to a low-carbon economy, and as such concluded that climate-related matters do not result in material uncertainty in estimates and assumptions underpinning any of the items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Company is closely monitoring relevant changes and developments, such as new climate-related legislation.

5. Property, equipment and right-of-use-assets

'000 AMD	*Land and building*	*Computer equipment*	*Machinery and equipment*	*Vehicles*	*Leasehold improvements*	*Other property and equipment*	*Right-of-use assets (office premises)*	*Total*
Cost								
At 1 January 2022	**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**
Additions	137,184	288,096	194,564	–	–	7,807	–	**627,651**
Disposals and write-offs	–	(9,402)	(15,269)	(13,105)	–	(11,191)	–	**(48,967)**
At 31 December 2023	**231,397**	**1,647,187**	**1,541,920**	**6,487**	**16,409**	**72,091**	**373,732**	**3,889,223**
Depreciation								
At 1 January 2022	**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**
Depreciation for the year	1,839	155,495	126,943	1,443	1,902	6,198	70,789	**364,609**
Disposals and write-offs	–	(9,290)	(15,008)	(12,594)	–	(10,650)	–	**(47,542)**
At 31 December 2023	**48,779**	**732,092**	**870,019**	**3,155**	**12,006**	**55,103**	**353,946**	**2,075,100**
Net book value								
At 31 December 2022	**47,273**	**782,606**	**604,541**	**5,286**	**6,305**	**15,920**	**90,575**	**1,552,506**
At 31 December 2023	**182,618**	**915,095**	**671,901**	**3,332**	**4,403**	**16,988**	**19,786**	**1,814,123**

Depreciation amounting to AMD 349,900 thousand (2022: AMD 277,220 thousand) has been charged to cost of sales, AMD 14,709 thousand (2022: AMD 15,511 thousand) to administrative expenses.

As of 31 December 2023 property and equipment included fully depreciated but still in use assets at cost of AMD 196,325 thousand (31 December 2022: AMD 210,483 thousand).

6. Intangible assets

'000 AMD	*Computer software*	*Licenses and trademarks*	*Total*
Cost			
At 1 January 2022	**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**
Additions	131,529	67,369	198,898
Disposals and write-offs	(16,422)	(11,026)	(27,448)
At 31 December 2023	**1,184,286**	**863,236**	**2,047,522**
Amortization			
At 1 January 2022	**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**
Amortization for the year	91,657	69,507	161,164
Disposals and write-offs	(10,109)	(11,025)	(21,134)
At 31 December 2023	**702,122**	**476,489**	**1,178,611**
Net book value			
At 31 December 2022	**448,605**	**388,886**	**837,491**
At 31 December 2023	**482,164**	**386,747**	**868,911**

Amortization amounting to AMD 161,132 thousand (2022: AMD 87,199 thousand) has been charged to cost of sales, AMD 32 thousand (31 December 2022: AMD 10 thousand) to administrative expenses.

As of 31 December 2023 intangible assets included fully amortized but still in use assets in amount of AMD 237,942 thousand (31 December 2022: AMD 248,967 thousand).

7. Investment securities

'000 AMD	*31 December 2023*	*31 December 2022*
Investment securities designated as at fair value through OCI – equity investments	264,668	209,800
Total	**264,668**	**209,800**

Equity instruments comprise 15,330 class B common shares of MasterCard Incorporated. Class B stock is not publicly traded stock and may be owned by eligible members of MasterCard Incorporated only. However, it can be converted to Class A stock, which is publicly traded and listed on the New York Stock Exchange.

The Company does not consider disposal of this investment for the foreseeable future and therefore irrevocably elected to designate it at fair value through other comprehensive income.

The Company is legally entitled to dividends amounting to AMD 14,148 thousand for 2023 (2022: AMD 8,869 thousand) in respect of these investments. As the Company does not have access to the accounts to which the dividend distributions were transferred in 2023 and 2022 due to the sanctions imposed on the settlement counterparty as the result of the war in Ukraine, the Company did not recognize respective dividend income in 2023 and 2022.

8. Prepayments for property, equipment and other non-current assets

'000 AMD	*31 December 2023*	*31 December 2022*
Prepayments for property, equipment and intangible assets	1,234,734	109,944
Deferred expense non-current portion (Note 9)	122,180	-
Deposited amount for lease	7,530	7,530
Total	**1,364,444**	**117,474**

Included in prepayments for property and equipment and other non-current assets are prepayments given to two counterparties totaling AMD 962,311 thousand for computer equipment.

9. 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 from one to three years. These are expensed in the period to which they relate.

Deferred expenses amounting to AMD 384,809 thousand (2022: AMD 339,382 thousand) has been recycled to wire transfer software maintenance expenses in cost of sales, AMD 3,444 thousand (2022: AMD 3,479 thousand) to administrative expenses. The table below presents information on deferred expenses by current and non-current portions:

'000 AMD	*31 December 2023*	*31 December 2022*
Deferred expense non-current portion (Note 8)	122,180	-
Deferred expense current portion	237,408	243,341
Total	**359,588**	**243,341**

10. Trade and other receivables

'000 AMD	*31 December 2023*	*31 December 2022*
Financial assets		
Trade receivables from		
- banks rated Ba3	108,826	84,903
- banks rated from B1 to B2	136,720	101,743
- banks – unrated	55,773	46,869
- other financial institutions – unrated	298	490
	301,617	**234,005**
Non-financial assets		
Prepayments	36,533	33,269
Receivables from the State budget	13,332	11,832
Other	1,385	102
	51,250	**45,203**
	352,867	**279,208**

All amounts outstanding as at 31 December 2023 and 2022 are short-term, not past due and are generally recoverable. Expected credit losses are immaterial as at 31 December 2023 and 2022. The average period on trade receivables is less than one month (2022: less than one month). 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 20.

11. 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 2023*	*31 December 2022*
Accounts in the commercial banks		
- rated B1 to B2	346,417	536,944
- not rated	–	246
Total accounts in the commercial banks	**346,417**	**537,190**
Account in the CBA	102,595	256,666
Total cash and cash equivalents	**449,012**	**793,856**

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 20.

12. Capital and reserves

12.1 Share capital

'000 AMD	*31 December 2023*	*31 December 2022*
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 2023 and 2022.

N		*Shares quantity*	*Share percentage (%)*
1	Central Bank of Armenia	44	55.00
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	Amiobank 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
17	Fast Bank CJSC	1	1.25
		80	**100.00**

12.2 Dividends

In 2023 dividends have not been paid or proposed to holders of ordinary shares (2022: either).

12.3 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.

12.4 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.

13. Leases

The Company leases office premises. The leases typically run for a period from 5 to 9 years with remaining term up to 1 year 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.

13. Leases (continued)

Set out in note 5 and in below table are the carrying amounts of right-of-use assets recognised and the movements during the period:

'000 AMD	*2023*	*2022*
As at 1 January	90,575	161,364
Depreciation expense	(70,789)	(70,789)
As at 31 December	**19,786**	**90,575**

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

'000 AMD	*2023*	*2022*
As at 1 January	111,536	188,343
Accretion of interest (note 19)	8,095	17,068
Payments	(93,876)	(93,875)
As at 31 December	**25,755**	**111,536**
Current	25,755	85,855
Non-current	–	25,681

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 2023*	*31 December 2022*
Short-term leases	3,150	3,150
	3,150	**3,150**

14. Income tax

The Company's applicable tax rate is the income tax rate of 18% (2022: 18%). The major components of income tax expense for the years ended 31 December 2023 and 2022 are:

'000 AMD	*2023*	*2022*
Current tax	298,575	214,407
Deferred tax	(2,221)	(11,137)
Total	**296,354**	**203,270**

Reconciliation of effective tax rate:

	2023		*2022*	
	'000 AMD	*%*	*'000 AMD*	*%*
Profit before income tax	**1,564,718**		**1,063,197**	
Income tax at applicable tax rate	**281,649**	**18**	**191,375**	**18**
Foreign exchange gains or losses	(1,609)	–	2,804	–
Non-deductible items	16,314	1	9,091	1
	296,354	**19**	**203,270**	**19**

The movement of deferred income taxes is disclosed below:

'000 AMD	*2023*	*2022*
Balance at the beginning of year	**(6,763)**	**(27,742)**
Charged to profit or loss	2,221	11,137
Charged in other comprehensive income	(9,876)	9,842
Balance at the end of year	**(14,418)**	**(6,763)**

14. Income tax (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

'000 AMD	*1 January 2023*	*Recognized in other comprehensive income*	*Recognized in profit or loss*	*31 December 2023*
Right-of-use assets	(16,304)	–	12,742	(3,562)
Investment securities	(34,556)	(9,876)	–	(44,432)
Lease liabilities	20,077	–	(15,441)	4,636
Trade and other payables	15,253	–	4,920	20,173
Property, equipment and intangible assets	2,174	–	–	2,174
Deferred expenses	1,643	–	–	1,643
Advances received	4,950	–	–	4,950
Tax liabilities	**(6,763)**	**(9,876)**	**2,221**	**(14,418)**

'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
Advances received	–	–	4,950	4,950
Tax liabilities	**(27,742)**	**9,842**	**11,137**	**(6,763)**

15. Trade and other payables

'000 AMD	*31 December 2023*	*31 December 2022*
Financial liabilities		
Trade payables	160,325	110,715
Liabilities towards personnel	112,073	84,743
	272,398	**195,458**
Non-financial liabilities		
Advances received	27,500	27,500
Taxes and duties payable	66,291	62,557
	93,791	**90,057**
	366,189	**285,515**

As of 31 December 2023 and 2022, advances received include a contract liability in respect of non-refundable upfront fee received for connecting to ArCa payment system paid by Fast Bank. The upfront fee was settled in revenue after the end of the reporting period. 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 20.

16. Revenue

'000 AMD	*2023*	*2022*
Non-cash transactions with POS terminals	1,340,953	691,850
Cash advance via ATMs and POS terminals	1,302,360	1,126,686
SMS services	1,229,203	755,014
International transactions and maintenance of international card database	798,835	652,732
Maintenance of ArCa cards data base and service centers	271,806	172,845
ATM, POS registration and profile changes	128,636	188,225
Servicing of ATMs	52,548	50,852
Embossing and encoding of cards	45,076	50,092
Annual membership fees	42,000	39,500
Other	95,946	63,066
	5,307,363	**3,790,862**

17. Cost of sales

'000 AMD	*2023*	*2022*
Employee compensation	1,356,964	1,015,972
Communication expenses	1,081,202	663,918
Depreciation and amortization	511,032	364,421
Wire transfer software maintenance expenses	419,174	349,035
Consulting expenses	35,009	10,550
Business trip expenses	18,842	3,339
Utility costs	16,719	15,140
Material expenses	15,776	18,574
Fixed assets maintenance	14,771	12,938
Training expenses	10,772	5,863
Operating lease expenses	3,150	3,150
Other	18,942	8,302
	3,502,353	**2,471,202**

18. Administrative expenses

'000 AMD	*2023*	*2022*
Employee compensation	235,994	176,567
Consulting services	26,470	6,350
Depreciation and amortization	14,741	15,521
Fixed assets maintenance	2,591	2,214
Communication expenses	1,988	2,186
Taxes, other than income tax, duties	1,912	2,937
Other	13,653	14,430
	297,349	**220,205**

Fees paid to the auditor for the audit of Company's financial statements for the year ended 31 December 2023 amounted to AMD 22,800 thousand (2022: AMD 26,400 thousand). No non-audit services were provided by the Company's external auditor in 2023.

19. Finance income and costs

'000 AMD	*2023*	*2022*
Dividend income	–	3,599
Interest income from repurchase operations with financial institutions at effective interest rate	66,727	–
Total finance income	**66,727**	**3,599**
Interest expenses for lease arrangements	(8,095)	(17,068)
Total finance costs	**(8,095)**	**(17,068)**
Net finance costs	**58,632**	**(13,469)**

20. 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.

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 2023

'000 AMD	***US dollar***	***Euro***
Financial assets		
Cash and cash equivalents	33,739	25,728
Investment securities at fair value through OCI	264,668	–
Trade and other payables	(405)	–
Total financial assets	**298,002**	**25,728**

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**

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***
	+10.00%	3,333	29,800
2023	-10.00%	(3,333)	(29,800)
	+12.62%	3,920	30,397
2022	-12.62%	(3,920)	(30,397)

	Change in EUR rate	***Effect on profit or loss***	***Effect on equity***
	+10.00%	2,573	2,573
2023	-10.00%	(2,573)	(2,573)
	+21.31%	27,110	27,110
2022	-21.31%	(27,110)	(27,110)

20. Financial risk management (continued)

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. 20% increase (decrease) in quoted price of the Company's equity investments would result in AMD 43,405 thousand increase (AMD 43,405 decrease) recognized in other comprehensive income net of tax, respectively (2022:AMD 34,407 thousand increase/(AMD 34,407 decrease), respectively).

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:

'000 AMD	*31 December 2023*	*31 December 2022*
Financial assets at carrying amounts		
Trade receivables	301,617	234,005
Cash and cash equivalents	449,012	793,856
	750,629	**1,027,861**

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% of the trade receivable balance are from the shareholders of the Company (note 26). The turnover of trade receivables is quick, and the majority of the receivables are from banks rated Ba3 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 116,957 thousand (31 December 2022: AMD 114,258 thousand) is due from two largest bank customers. 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 11). 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 2023*	*31 December 2022*
Unsecured bank credit line facility		
Amount used	–	–
Amount unused	–	250,000

20. Financial risk management (continued)

Liquidity risk management (continued)

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 2023	*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	–	160,325	112,073	–	–	–	272,398	272,398
Lease liabilities	7,901	15,802	3,330	–	–	–	27,033	25,755
Total	**7,901**	**176,127**	**115,403**	**–**	**–**	**–**	**299,431**	**298,153**

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**

21. 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 2023

'000 AMD	*Level 1*	*Level 2*	*Level 3*	*Total fair values*	*Total carrying amount*
Financial assets					
Trade receivables	–	301,617	–	**301,617**	**301,617**
Cash and cash equivalents	–	449,012	–	**449,012**	**449,012**
Financial liabilities					
Trade and other payables	–	272,398	–	**272,398**	**272,398**
Lease liabilities	–	25,755	–	**25,755**	**25,755**

21. Fair value measurement (continued)

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

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**

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 2023

'000 AMD	*Level 1*	*Level 2*	*Level 3*	*Total fair values*	*Total carrying amount*
Financial assets					
Listed equity investments	264,668	–	–	264,668	264,668

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

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 convertible shares of MasterCard Incorporated.

22. Reconciliation of liabilities arising from financing activities

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

	2023		*2022*	
'000 AMD	*Lease liabilities*	*Total*	*Lease liabilities*	*Total*
As of 1 January	**111,536**	**111,536**	**188,343**	**188,343**
Cash flows				
Repayments	(93,876)	**(93,876)**	(93,876)	**(93,876)**
Non cash flows				
Accretion of interest (Note 19)	8,095	**8,095**	17,068	**17,068**
As of 31 December	**25,755**	**25,755**	**111,536**	**111,536**

23. 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 (2022: AMD 100,000 thousand). The Company is in compliance with minimum total capital requirements as at 31 December 2023 and 2022.

24. Commitments

As of 31 December 2023 the Company have contractual commitments in respect of acquisition property, equipment and intangible assets at the amount of AMD 606,084 thousand (31 December 2022: AMD 68,377 thousand).

25. 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.

(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.

26. Related parties

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

Control relationships

The Central Bank of the Republic of Armenia, which owns 55% 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	***2023***	***2022***
Parent company – Central Bank of Armenia		
Cost of sales	7,315	5,042
Entities with significant influence over the Company		
Revenue	3,564,043	2,551,736
Other income	2,559	4,034
Interest income	66,727	–
*Other shareholders (not related party)**		
Revenue	1,713,567	1,217,456
Other income	1,200	1,038
Other expense	641	–

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

Outstanding balances

'000 AMD	***31 December 2023***	***31 December 2022***
Parent company – Central Bank of Armenia		
Cash and cash equivalents	102,595	256,666
Trade and other payables	1,017	837
Entities with significant influence over the Company		
Trade and other receivables	231,412	175,568
Cash and cash equivalents	292,414	402,194
Trade and other payables	–	8,545
*Other shareholders (not related party)**		
Trade and other receivables	70,123	57,697
Cash and cash equivalents	54,003	135,006

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

Transactions with management

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

'000 AMD	***2023***	***2022***
Salaries and bonuses	183,976	140,571

27. 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 2023, the deposits amount to AMD 3,193,689 thousand (31 December 2022: AMD 718,063 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 2023, the account balance amount to AMD 1,842,163 thousand (31 December 2022: AMD 1,524,997 thousand).