Financial Statements and Independent Auditor's Report

WEBB Fontaine Holding LLC

31 December 2022

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Independent auditor's report

To the shareholders of WEBB Fontaine Holding LLC

Opinion

We have audited the financial statements of WEBB Fontaine Holding LLC (the "Company"), which comprise the statement of financial position as of 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 give a true and fair view of the financial position of the Company as of 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Armen Hovhannisyan
Chief Executive Officer

Emil Vassilyan, FCCA
Engagement Partner

13 March 2023

Statement of financial position

In thousand drams	Notes	As of 31 December 2022	As of 31 December 2021
Assets			
Non-current assets			
Property and equipment	4	358,140	305,964
Right-of use assets	5	251,868	376,486
Intangible assets	6	13,681	18,918
Deferred income tax assets	7	30,307	-
		653,996	701,368
Current assets			
Trade receivables		13,298	-
Prepayments and other current assets	8	79,836	133,489
Current income tax assets		-	3,740
Cash and bank balances	9	29,667	196,724
		122,801	333,953
Total assets		776,797	1,035,321
Equity and liabilities			
Capital and reserves			
Share capital	10	50	50
Accumulated profit		144,347	44,314
		144,397	44,364
Non-current liabilities			
Lease liabilities	11	151,854	276,677
Deferred income tax liabilities	7	-	484
		151,854	277,161
Current liabilities			
Lease liabilities	11	124,580	96,279
Accounts and other payables	12	319,462	617,517
Current income tax liabilities		36,504	-
		480,546	713,796
Total equity and liabilities		776,797	1,035,321

The financial statements were approved on 13 March 2023 by:

Ara Shamirzayan
Chief Technology Officer

Zaruhi Sahakyan
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 27.

Statement of profit or loss and other comprehensive income

In thousand drams	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Revenue	13	4,791,924	3,453,564
Operational expenses	14	(4,532,000)	(3,289,790)
Gross profit		259,924	163,774
Other income		62,715	21,069
General and administrative expenses	14	(55,550)	(23,947)
Operating profit		267,089	160,896
Net finance costs	15	(132,401)	(87,057)
Profit before income tax		134,688	73,839
Income tax expense	16	(34,655)	(56,529)
Profit for the year		100,033	17,310
Other comprehensive income		-	-
Total comprehensive income for the year		100,033	17,310

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 27.

Statement of changes in equity

In thousand drams	Share capital	Accumulated profit	Total
as of 1 January 2021	50	27,004	27,054
Profit for the year	-	17,310	17,310
Total comprehensive income for the year	-	17,310	17,310
as of 31 December 2021	50	44,314	44,364
Profit for the year	-	100,033	100,033
Total comprehensive income for the year	-	100,033	100,033
as of 31 December 2022	50	144,347	144,397

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 27.

Statement of cash flows

In thousand drams

	Year ended 31 December 2022	Year ended 31 December 2021
Cash flows from operating activities		
Profit for the year	100,033	17,310
Adjustments for:		
Depreciation and amortization	271,259	200,299
(Gain)/Loss on disposal of non-current assets, net	552	6,890
Interest expense	35,424	43,417
Income tax expense	34,655	56,529
Foreign exchange loss	96,977	43,640
Operating profit before changes in working capital	538,900	368,085
Change in trade receivables	(13,298)	-
Change in prepayments and other current assets	52,711	(43,793)
Change in inventories	-	665
Change in accounts and other payable	(297,319)	311,136
Cash generated from operations	280,994	636,093
Income tax paid	(25,202)	(62,904)
Net cash from operating activities	255,792	573,189
Cash flows from investing activities		
Acquisition of non-current assets	(199,059)	(299,583)
Net cash used in investing activities	(199,059)	(299,583)
Cash from financing activities		
Lease payments	(127,019)	(169,050)
Net cash used for financing activities	(127,019)	(169,050)
Net increase/(decrease) in cash and cash equivalents	(70,286)	104,556
Foreign exchange effect on cash	(96,771)	(43,957)
Cash and bank balances at the beginning of the year	196,724	136,125
Cash and bank balances at the end of the year	29,667	196,724

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 27.

Notes to the financial statements

1 Nature of operations and general information

Webb Fontaine Holding LLC (the "Company") was established on 12 September 2005, in accordance with the Certificate issued by the State Register. The Company's share capital belongs to Webb Fontaine Group FZ-LLC (registered at the address: Media City Concord Tower, office 712, Dubai, United Arab Emirates).

The objective of the Company is to produce and test software for software systems, make a detailed examination of functional and technical structure of the systems and work out training programs for the systems.

The average number of employees of the Company in 2022 was 162 employees (2021: 149 employees).

The principle place of registration and the legal address of the Company is 2/5 Armenakyan street, Norq Marash 0047, Yerevan, Republic of Armenia.

Business environment

The conflict in Ukraine caused thousands of Russians and Ukrainians to relocate to the Republic of Armenia. This included not only individuals but also businesses that were established and operated in those countries. This resulted in increased inflows of foreign currency into the Armenian market, which led to a significant appreciation of the Armenian dram relative to US dollar and Euro.

On the other hand, the Central Bank of Armenia did not take any measures to weaken the Armenian national currency. This event had a significant impact on entities that were involved in exporting goods and services, including those operating in the Information and Communication Technologies (ITC) sector.

The Government of Armenia has introduced certain measures to mitigate the losses that the entities in the ITC sector suffered. Those measures included income tax refunds to such entities.

Management does not expect that there will be any further appreciation of the Armenian dram relative to US dollar and Euro. However, the continuing conflict in Ukraine may result in inflows of still more foreign currency into Armenia, which may have a negative impact on the financial sustainability of the Company.

These financial statements do not include the possible effects of the above.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the assumption that the Company operates on a going concern basis.

2.2 Basis of measurement

The financial statements have been prepared on an accruals basis and under the historical cost convention.

2.3 Functional and presentation currency

The national currency of Armenia is the Armenian dram (“dram”), which is the Company’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Company.

These financial statements are presented in Armenian drams (unless otherwise stated), since management believes that this currency is more useful for the users of these financial statements. All financial information presented in Armenian drams has been rounded to the nearest thousand.

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRSs requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates and the original estimates and assumptions will be modified as appropriate in the year in which circumstances change (refer to note 17).

2.5 Adoption of new and revised standards

In the current year the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2022.

The nature and the effect of these changes are disclosed below.

New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January

New standards and amendments described below and applied for the first time in did not have a material impact on the annual financial statements of the Company:

Standard	Title of Standard or Interpretation
IFRS 3	*References to the conceptual framework (Amendments to IFRS 3)*
IAS 16	*Proceeds before intended use (Amendments to IAS 16)*
IAS 37	*Onerous contracts – costs of fulfilling a contract (Amendments to IAS 37)*
IFRS 1, IFRS 9, IAS 41, IFRS 16	*Annual improvements to IFRS Standards 2018-2021 cycle (Amendments to IFRS 1, IFRS 9, IAS 41, IFRS 16)*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

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

Management anticipates that all of the relevant pronouncements will be adopted in the Company’s accounting policies for the first period beginning on or after the effective date of the pronouncement.

Management does not anticipate a material impact on the Company’s financial statements from these Standards and Amendments, they are presented below:

Standard	Title of Standard or Interpretation	Effective for reporting periods beginning on or after
IFRS 17	*Amendments to IFRS 17 Insurance Contracts including the Extension of the Temporary Exemption from Applying IRFS 9*	*1 January 2023*

	(Amendments to IFRS 4)	
IFRS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*	*1 January 2023*
IFRS 17	*Initial application of IFRS 17 and IFRS 9 – Comparative information (Amendment to IFRS 17)*	*1 January 2023*
IAS 8	*Definition of Accounting Estimates (Amendments to IAS 8)*	*1 January 2023*
IAS 1	*Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)*	*1 January 2023*
IAS 1	*Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*	*1 January 2024*
IAS 16	*Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*	*1 January 2024*
IAS 1	*Non-current Liabilities with Covenants (Amendments to IAS 1)*	*1 January 2024*

3 Significant accounting policies

3.1 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date, which is 393.57 drams for 1 US dollar and 420.06 drams for 1 euro as of 31 December 2022 (31 December 2021: 480.14 drams for 1 US dollar and 542.61 drams for 1 euro). 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.

3.2 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 future economic benefits will arise from the expenditure. Expenditures of capital nature that enhance the leased office space are being capitalized in the cost of property and equipment (under a separate class). All other expenditure, including repair and maintenance, is recognized in profit or loss as incurred.

Depreciation is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Computer equipment	-	1 - 3 years
Vehicles	-	5 years
Fixtures and Fittings	-	5 years
Other	-	5 years.

3.3 Intangible assets

Intangible assets, which are acquired by the Company and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the intangible assets, which is estimated at 10 years.

3.4 Leased assets

The Company as a lessee

The Company makes the use of leasing arrangements principally for the provision of the office space. The rental contract for office is typically negotiated for terms of 5 years and has extension terms.

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 in its 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, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

3.5 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expired.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost

- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the Company's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

A summary of the Company's financial assets by category is given in note 18.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company’s cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Classification and measurement of financial liabilities

The Company's financial liabilities include account payables. A summary of the Company's financial liabilities by category is given in note 18.

Accounts and other payables

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

3.6 Equity

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

Accumulated profit includes all current and prior period retained profits.

3.7 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.8 Income tax

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

3.9 Employee benefits

Short-term employee benefits are benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and include:

(a) wages, salaries and bonuses;

(b) paid annual leaves and paid disability leaves;

(c) non-monetary benefits.

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.

3.10 Revenue

Revenue arises mainly from the rendering of services.

To determine whether to recognize revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligations are satisfied.

Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

Rendering of services

The main source of revenue is related to the service contract signed with Webb Fontaine Group FZ-LLC (the “Parent”), whereby the Company produces and tests software for other software system securities, implements a detailed examination of the technical structures and develops training courses for these systems. The result is immediately transferred to the Parent through a server and cannot be used by the Company for other purposes. Consequently, the revenue is recognized when the transfer is made *(refer to Note 13)*.

Advances from the Parent entity (included in accounts and other payables)

In the framework of the contract signed with the Company’s Parent entity, at the beginning of each month the Company is provided with funds based on estimates submitted by the management of the Company to the Parent. These funds are recognized as liabilities under accounts and other payables until the contractual obligations are met and accepted by the service recipient.

3.11 Finance income and finance cost

Finance income comprises interest income on funds invested and foreign exchange gains on foreign currency transactions. Finance income is recognized as it accrues in profit or loss using the effective interest method. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and monetary liabilities denominated in foreign currencies are recognized in profit or loss.

Finance cost represents foreign exchange losses on foreign currency transactions as well as interest expenses calculated on lease liabilities. Finance income and costs are reported on a net basis.

4 Property and equipment

In thousand drams	Computer equipment	Vehicles	Fixtures and fittings	Other	Leasehold improve-ments	Total
Cost						
as of 1 January 2021	171,790	13,622	33,009	7,115	-	225,536
Additions	129,206	-	9,062	26,481	122,513	287,262
Disposals	(27,632)	-	(6,945)	(78)	-	(34,655)
Internal movement	(78)	-	-	78	-	-
as of 31 December 2021	273,286	13,622	35,126	33,596	122,513	478,143
Additions	77,436	20,547	39,513	3,502	58,061	199,059
Disposals	(7,370)	(13,622)	(4,110)	(255)	-	(25,357)
as of 31 December 2022	343,352	20,547	70,529	36,843	180,574	651,845
Accumulated depreciation						
as of 1 January 2021	92,090	13,614	17,040	1,504	-	124,248
Charge for the year	65,795	8	6,119	3,774	-	75,696
Eliminated on disposal	(22,338)	-	(5,386)	(41)	-	(27,765)
as of 31 December 2021	135,547	13,622	17,773	5,237	-	172,179
Charge for the year	82,912	1,830	10,062	7,751	43,776	146,331
Eliminated on disposal	(7,287)	(13,622)	(3,758)	(138)	-	(24,805)
as of 31 December 2022	211,172	1,830	24,077	12,850	43,776	293,705
Carrying amount						
as of 31 December 2021	137,739	-	17,353	28,359	122,513	305,964
as of 31 December 2022	132,180	18,717	46,452	23,993	136,798	358,140

The cost of the property and equipment with nil carrying amount and still accounted for in the statement of the financial position of the Company amounts to drams 62,449 thousand (31 December 2021: drams 55,228 thousand).

5 Right-of-use assets

In thousand drams	Office space	Total
Cost		
as of 1 January 2021	-	-
Adjustment on transition to IFRS 16	498,589	498,589
As of 31 December 2021	498,589	498,589
Adjustment on transition to IFRS 16	(4,927)	(4,927)
As of 31 December 2022	493,662	493,662
Accumulated depreciation		
as of 1 January 2021	-	-
Charge for the year	122,103	122,103
As of 31 December 2021	122,103	122,103
Charge for the year	119,691	119,691
As of 31 December 2022	241,794	241,794
Carrying amount		
As of 31 December 2021	376,486	376,486
As of 31 December 2022	251,868	251,868

In 2021 the Company determined that the lease contracts signed in prior years already satisfy the criteria of IFRS 16 Leases to be recognized in the statement of financial position. Particularly, the Company incurred significant expenditures of a capital nature to enhance the office spaces leased, which demonstrates the willingness of management to lease the areas for a long period of time, which is the main criteria that pushed the Company to recognize the leases based on the requirements of IFRS 16. As a result, the Company also recognized lease liabilities (refer to note 11).

6 Intangible assets

In thousand drams	Software and licenses	Total
Cost		
as of 1 January 2021	13,033	13,033
Additions	12,321	12,321
as of 31 December 2021	25,354	25,354
as of 31 December 2022	25,354	25,354
Accumulated depreciation		
as of 1 January 2021	3,936	3,936
Charge for the year	2,500	2,500
as of 31 December 2021	6,436	6,436
Charge for the year	5,237	5,237
as of 31 December 2022	11,673	11,673
Carrying amount		
as of 31 December 2021	18,918	18,918
as of 31 December 2022	13,681	13,681

7 Deferred income taxes

The movement of deferred income taxes is disclosed below:

In thousand drams	2022	2021
Balance at the beginning of year	(484)	27,491
(Charged)/credited to profit or loss (refer to note 16)	30,791	(27,975)
Balance at the end of year	30,307	(484)

Deferred income taxes for the year ended 31 December 2022 can be summarized as follows:

In thousand drams	1 January 2022	Recognized in profit or loss	31 December 2022
Deferred income tax assets			
Intangible assets	336	23	359
Accounts and other payables	35,946	10,938	46,884
	36,282	10,961	47,243
Deferred income tax liabilities			
Property and equipment	36,766	(19,830)	16,936
	36,766	(19,830)	16,936
Net position- deferred income tax assets	(484)	30,791	30,307

Deferred income taxes for the year ended 31 December 2021 can be summarized as follows:

In thousand drams	1 January 2021	Recognized in profit or loss	31 December 2021
Deferred income tax assets			
Intangible assets	-	336	336
Accounts and other payables	35,605	341	35,946
	35,605	677	36,282
Deferred income tax liabilities			
Property and equipment	8,114	28,652	36,766
	8,114	28,652	36,766
Net position- deferred income tax liabilities	27,491	(27,975)	(484)

8 Prepayments and other current assets

In thousand drams	As of 31 December 2022	As of 31 December 2021
Prepayments	19,117	38,876
VAT receivable	54,952	89,623
Other receivables	5,767	4,990
	79,836	133,489

All amounts are short-term. The net carrying value of prepayments and other current assets is considered a reasonable approximation of fair value.

Management believes that the VAT receivable is fully recoverable.

9 Cash and bank balances

In thousand drams	As of 31 December 2022	As of 31 December 2021
Cash in hand	-	55
Bank accounts	29,667	196,669
	29,667	196,724

10 Share capital

As of 31 December 2022 and 31 December 2021 the Company's share capital had nominal value of drams 50 thousand. The Company's share capital is fully paid and belongs to Webb Fontaine Group FZ-LLC.

11 Leases

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

In thousand drams	2022	2021
Balance at the beginning of year	372,956	-
Increase/(decrease) under adoption of IFRS 16	(4,927)	498,589
Lease payments	(127,019)	(169,050)
Interest expense (refer to note 15)	35,424	43,417
Balance at the end of year	276,434	372,956

These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 10.9% as of 1 January 2021. According to IFRS 16, each lease payment is allocated between the lease liability and the finance cost. The finance cost or amortization of the discount on the lease liability is charged to the Income statement.

The Company has considered the net present value of the following lease payments when calculating the lease liability on 1 January 2021:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the Company under residual value guarantees;
- When a lease contains an extension option, the lease payments for the extension period were included in the calculation of the lease liability if the Company was reasonably certain that it would exercise the option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

No adjustments were required upon adoption of IFRS 16 for leases as the Company did not have any leases previously classified as such as of 31 December 2020 (refer to note 5).

On adoption of IFRS 16 on 1 January 2021, the right-of-use assets were measured at an amount equal to the lease liability.

The current and non-current lease liabilities are shown in the table below:

In thousand drams	As of 31 December 2022	As of 31 December 2021
Current	124,580	96,279
Non-current	151,854	276,677
	276,434	372,956

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

Right-of-use asset	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with variable payment linked to an index	Number of leases with termination options
Office space	1	2 years	25 months	1	-	-	-

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at reporting dates were as follows:

In thousand drams	Minimum lease payments	
	As of 31 December 2022	As of 31 December 2021
Within one year		
Lease payments	148,639	132,825
Finance charges	(24,059)	(36,546)
	124,580	96,279
In second to fifth years inclusive		
Lease payments	161,685	310,569
Finance charges	(9,831)	(33,892)
	151,854	276,677
Net present value	276,434	372,956

12 Accounts and other payables

In thousand drams	As of 31 December 2022	As of 31 December 2021
Due to related party (refer to note 21.2)	-	368,446
Dues and taxes	52,735	42,801
Accrued expense	260,467	200,119
Other payables	6,260	6,151
	319,462	617,517

Accrued expenses include the provision for leave pay at an amount of drams 260,467 thousand (31 December 2021: drams 199,701 thousand).

13 Revenue

Following the entry into force of the transfer pricing regulations in Armenia on 1 January 2020, the Company entered into a new agreement with its Parent entity.

For the year ended 31 December 2022, the Company's revenue represents the reimbursement of expenses plus a mark-up from its Parent for contractor services rendered in Armenia. Based on the agreement, all operational costs (reimbursable costs) are reimbursed to the Company at a mark-up of 6%.

The Company records its revenue at month end after fulfilling its performance obligation for the month. The amount recognized as revenue is usually based on the obligation fulfilled in the month.

In thousand drams	Year ended 31 December 2022	Year ended 31 December 2021
6% mark-up on reimbursable cost	271,241	195,485
Reimbursement of costs from Parent (refer to note 14)	4,520,683	3,258,079
Revenue from rendering services	4,791,924	3,453,564

14 Analysis of expenses by nature

In thousand drams	Year ended 31 December 2022	Year ended 31 December 2021
Salaries and other benefits	4,058,871	2,900,375
Depreciation (refer to notes 4 and 5)	266,022	197,799
General office expenses	64,522	43,640
Training expenses	51,919	24,969
Representation and entertainment	34,591	39,660
Hotel, travelling and transportation	29,711	18,516
Legal, professional and registration fees	39,327	33,274
Dues and taxes	11,341	7,082
Marketing and communication expenses	10,338	27,409
Software and licenses	5,329	1,240
Amortization (refer to note 6)	5,237	2,500
Repairs and maintenance	4,033	6,540
Rent	2,500	2,500
Insurance	1,464	620
Donations	1,205	6,637
Miscellaneous	1,140	976
	4,587,550	3,313,737

Summarised as follows:

In thousand drams	Year ended 31 December 2022	Year ended 31 December 2021
Operational expenses	4,532,000	3,289,790
General and administrative expenses	55,550	23,947
	4,587,550	3,313,737

In thousand drams	Year ended 31 December 2022	Year ended 31 December 2021
Operational expenses		
Reimbursable costs from the Parent (refer to note 13)	4,520,683	3,258,079
Non-reimbursable costs from the Parent	11,317	31,711
	4,532,000	3,289,790
General and administrative expenses	55,550	23,947
	4,587,550	3,313,737

15 Net finance costs

In thousand drams	Year ended 31 December 2022	Year ended 31 December 2021
Foreign exchange gain/(loss), net	(96,977)	(43,640)
Interest expense on lease (refer to note 11)	(35,424)	(43,417)
	(132,401)	(87,057)

16 Income tax expense

In thousand drams	Year ended 31 December 2022	Year ended 31 December 2021
Current tax	65,446	28,554
Deferred tax (refer to note 7)	(30,791)	27,975
	34,655	56,529

Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended 31 December 2022	Effective tax rate (%)	Year ended 31 December 2021	Effective tax rate (%)
Profit before taxation (under IFRSs)	134,688		73,839	
Tax calculated at a tax rate of 18% (2021: 18%)	24,244	18.00%	13,291	18.00%
(Non-taxable)/non-deductible items, net	10,411	7.73%	43,238	58.56%
Income tax expense	34,655	25.73%	56,529	76.56%

17 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

17.1 Critical accounting estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property and equipment

Management has estimated useful lives of the property and equipment. Management believes that estimated useful lives of the property and equipment are not materially different from economical lives of those assets. If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

Lease

Estimates and judgments referring to leases are presented in notes 5 and 11.

18 Financial instruments

18.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 3.5.

18.2 Categories of financial instruments

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

Financial assets

In thousand drams	As of 31 December 2022	As of 31 December 2021
Amortized cost		
Cash and bank balances	29,667	196,724
Trade receivables	13,298	-
Other receivables	5,767	4,990
Total financial assets	48,732	201,714

Financial liabilities

In thousand drams	As of 31 December 2022	As of 31 December 2021
Amortized cost		
Accounts and other payables	266,727	206,270
Lease liabilities	276,434	372,956
Total financial liabilities	543,161	579,226

19 Financial risk management

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The most significant financial risks to which the Company is exposed are described below.

Financial risk factors

a) *Market risk*

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, which result from its operating activities.

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Exposures to currency exchange rates arise from the Company's transactions with its parent company, which are primarily denominated in US dollars.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management translated into Armenian drams at the closing rate:

Item		
As of 31 December 2022	US dollar	Euro
Financial assets		
Trade and other receivables	12,118	-
Cash and bank balances	15,533	86
	27,651	86
Financial liabilities		
Accounts and other payables	242	-
	242	-
Net position	27,409	86

Item		
As of 31 December 2021	US dollar	Euro
Financial assets		
Cash and bank balances	179,749	27
	179,749	27
Financial liabilities		
Accounts and other payables	13	-
	13	-
Net position	179,736	27

The following table details the Company's sensitivity to a 10% increase and decrease in dram against US dollar and Euro (2021: 10%). 10% (2021: 10%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2021: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Euro by 10% (2021: 10%) then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2022	2021	2022	2021
Profit or loss	2,741	17,974	9	3
	2,741	17,974	9	3

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

b) *Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from financial assets only related to cash held at banks, as well as other receivables. Management believes that the risk related to cash held at banks is insignificant, since the cash is held at reputable Armenian banks.

The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

In thousand drams	As of 31 December 2022	As of 31 December 2021
Financial assets at carrying amounts		
Cash in banks	29,667	196,669
Trade receivables	13,298	-
Other receivables	5,767	4,966
	48,732	201,635

20 Contingencies

20.1 Taxes

The taxation system in Armenia is characterized by frequently changing legislation, which sometimes needs interpretations. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose fines and penalties.

These facts may create tax risks in Armenia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

21 Related parties

The Company's related parties include its parent and key management as described below.

21.1 Control relationships

The Company is controlled by Webb Fontaine Group FZ-LLC, which owns 100% of the Company's shares and is the Parent of the Company.

21.2 Transactions with other related parties

During the reporting year the Company had the following transactions with the related parties and as of the reporting date had the following outstanding balances.

In thousand drams

Transactions	Year ended 31 December 2022	Year ended 31 December 2021
Parent		
Provision of services	4,791,924	3,453,564
Other		
Provision of services	54,000	18,000
Donation given	16	6,353

In thousand drams

Outstanding balances	As at 31 December 2022	As at 31 December 2021
Parent		
Trade receivable from related party (refer to note 8)	13,298	-
Due to related party (refer to note 12)	-	(368,446)

21.3 Transactions with management and close family members

Key management received the following remuneration during the year, which is included in personnel expenses.

In thousand drams	Year ended 31 December 2022	Year ended 31 December 2021
Salaries and other benefits	73,135	87,503
	73,135	87,503