



“BDO ARMENIA” CJSC

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022



"BDO ARMENIA" CJSC

Consolidated Financial Statements
For the year ended 31 December 2022

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Country of incorporation of Company:	Republic of Armenia
Legal form:	Closed Joint Stock Company
Principal activities:	Principal activities are presented in Note 1
Managing Partner:	Mr. Vahagn Sahakyan

"BDO ARMENIA" CJSC

Consolidated statements of profit or loss and other comprehensive income
For the years ended 31 December 2022

	Notes	2022 AMD'000	2021 AMD'000
Revenue		1,029,011	860,984
Cost of sales	5	(682,312)	(554,199)
Gross profit		346,699	306,785
Other operating income		4,133	1,926
Administrative expenses	5	(240,180)	(211,614)
Selling expenses	5	(8,061)	(7,198)
Other expenses	5	(27,971)	(7,007)
Profit from operations		74,620	82,892
Finance income		2,222	1,413
Finance expense		(9,365)	(4,901)
Profit before tax		67,477	79,404
Tax expense		(17,545)	(19,788)
Profit for the year		49,932	59,616
Total comprehensive income for the year		49,932	59,616

Vahagn Sahakyan
Managing Partner



Olya Abrahamyan
Chief Accountant

"BDO ARMENIA" CJSC

Consolidated statement of financial position
As at 31 December 2022

	Notes	31 December 2022 AMD'000	31 December 2021 AMD'000
Assets			
Current Assets			
Trade and other receivables	6	182,645	155,139
Inventory		29,189	4,390
Cash and cash equivalents		108,953	98,437
		<u>320,787</u>	<u>257,966</u>
Non-Current Assets			
Property, plant and equipment		30,981	27,478
Goodwill		55,402	55,402
Deferred cost		36,998	36,998
Right of use asset	8	56,322	90,116
Deferred tax asset		29,893	20,378
		<u>201,946</u>	<u>230,372</u>
Total Assets		<u><u>522,733</u></u>	<u><u>488,338</u></u>
Liabilities			
Current Liabilities			
Trade and other payables	7	120,339	66,346
Provision		90,293	114,227
		<u>210,632</u>	<u>180,573</u>
Non-Current Liabilities			
Lease liability		58,460	89,100
Other Non-Current Liabilities		248,458	285,442
		<u>306,918</u>	<u>374,542</u>
Total Liabilities		<u><u>517,550</u></u>	<u><u>555,115</u></u>
Net assets		<u><u>5,183</u></u>	<u><u>(66,777)</u></u>
Equity			
Share capital	9	8,418	7,778
Share premium		21,388	-
Reserve capital		6,262	6,167
Other capital		(38,635)	(38,635)
Accumulated reserve		7,750	(42,087)
		<u>5,183</u>	<u>(66,777)</u>

"BDO ARMENIA" LLC

Consolidated statement of cash flows
For the year ended 31 December 2022

	2022 AMD'000	2021 AMD'000
Cash flows from operating activities		
Cash received from customers	1,305,117	1,025,937
Cash paid to suppliers	(311,525)	(244,960)
Payments to employees and on their behalf	(581,307)	(417,043)
Profit tax paid (payments to budget)	(22,257)	(18,100)
Other taxes and duties paid	(333,115)	(238,962)
Outflows from other operating activities	(8,709)	(1,171)
Net cash from operating activities	<u>48,204</u>	<u>105,701</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(12,078)	(12,969)
Provision of borrowings	(22,531)	-
Net cash used for investing activities	<u>(34,609)</u>	<u>(12,969)</u>
Cash flows from financing activities		
Dividends paid	-	(29,827)
Common Stock repurchasing	(14,453)	-
Net cash flows used for financing activities	<u>(14,453)</u>	<u>(29,827)</u>
Net gain/(loss) on revaluation of cash in foreign currencies	11,374	(4,127)
Net increase/(decrease) in cash and cash equivalents	10,516	58,778
Balances of cash at the beginning of the period	98,437	64,498
Balances of cash at the end of the period	108,953	98,437

"BDO ARMENIA" LLC

Consolidated statement of changes in equity
for the year ended 31 December 2022

	Share capital	Share premium	Reserve capital	Other capital	Accumulated reserve	Total
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
31 December 2021	7,778	-	6,167	(38,635)	(42,087)	(66,777)
Comprehensive income for the year						
Profit					49,932	49,932
Total comprehensive Income for the year					49,932	49,932
Contributions by and distributions to owners						
Dividends						
Reclass			96		(96)	-
Issue of share capital	640	21,388				22,028
Total contributions by and distributions to owners	640	21,388	96	-	(96)	22,028
31 December 2022	8,418	21,388	6,263	(38,635)	7,749	5,183
31 December 2020	7,000	16,395	6,050	-	64,934	94,379
Adjustments		(16,395)		(38,635)	(134,640)	(189,670)
31 December 2020	7,000	-	6,050	(38,635)	(69,706)	(95,291)
Comprehensive Income for the year						
Profit					59,616	59,616
Total comprehensive Income for the year					59,616	59,616
Contributions by and distributions to owners						
Dividends					(31,880)	(31,880)
Reclass			117		(117)	-
Issue of share capital	778					778
Total contributions by and distributions to owners	778		117		(31,997)	(31,102)
31 December 2021	7,778		6,167	(38,635)	(42,087)	(66,777)

“BDO ARMENIA” CJSC
Notes forming part of the consolidated financial statements
For the year ended 31 December 2022 (continued)

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Notes to the financial statements

1. Company background

“BDO Armenia” CJSC (hereinafter referred to as “the Company”) was registered by State Register Agency of Legal Entities of the Republic of Armenia on January 21, 2010 (Registration number 273.120.05398; Certificate N 03U 086921). Later on the Company merged with “Ameria Audit” CJSC and the merger was registered by State Register Agency of Legal Entities of the Republic of Armenia on November 19, 2012.

The company is registered in the registry of the Chamber of Auditors and Expert Accountants of Armenia NGO, Registration Number: 1 20 0267. The Company provides audit and audit related services, as well as accounting and consulting services.

The Company’s business and postal addresses are as follows: 23/6 Davit Anghat St., 5th Floor, Room 7, 0069 Yerevan, Armenia.

On January 11, 2018, SOS Audit LLC merged with the Company.

On April 19, 2018, the Company set up a new subsidiary BDO Advisory cjsc.

On September 03, 2018, the Company issued additional shares, which were acquired by the shareholders of Paradigma Armenia CJSC as an exchange of 100% of Paradigma Armenia shares.

As a result, Paradigma Armenia CJSC (registered in RA) became 100% subsidiary of BDO Armenia CJSC and later was renamed to BDO Accounting, Tax and Legal cjsc.

On December 10, 2021, AMF Financial Consulting CJSC merged with BDO Advisory CJSC.

Subsidiary

Information about subsidiaries is presented below:

Name	Country of incorporation and principal place of business	Proportion of ownership interest at 31 December	
		2022	2021
BDO Advisory cjsc	Republic of Armenia	100%	100%
BDO Accounting, Tax and Legal cjsc	Republic of Armenia	100%	100%

2. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out in note 15. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in Armenian drams (AMD), which is also the Company’s functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Company’s accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Basis of measurement

The financial statements have been prepared on a historical cost basis.

3. Critical accounting estimates and judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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.

Trade receivables - collectability of trade receivables (see Note 4- Credit risk).

Depreciation method and useful life of Property, plant and equipment - useful lives of Property, plant and equipment are based on management's estimate and can be revised in the future.

4. Financial Instruments - Risk Management

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

i. Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Lease liabilities
- Other Non-current liabilities

ii. Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, borrowings provided.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables, borrowings provided approximates their fair value.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales.

Credit risk also arises from cash and cash equivalents and deposits with banks. The Company policy is that only largest banks are acceptable.

Fair value and cash flow interest rate risk

The Company is exposed to cash flow interest rate risk from long-term borrowings at variable rate. The Company has no loans and borrowings at variable rate; hence there is no cash flow interest rate risk.

Foreign exchange risk

Currency risk is the risk that the fair value of a financial instrument or its future cash flows will fluctuate with changes in foreign exchange rates. Currency risk The Company's propensity is related to trade transactions, recognized assets and liabilities denominated in currencies other than the functional currency.

The exchange rates applied by the Company to translate foreign currency denominated assets and liabilities are those published by the Central Bank of Armenia as at the reporting date, which are presented in the table below (the value of one foreign currency unit is expressed in AMD).

	2022 AMD	2021 AMD
1 USD at a rate of CBA	393.57	420.06
1 EUR at a rate of CBA	480.14	542.61

As of 31 December, the Company's net exposure to foreign exchange risk was as follows:

	31.12.2022	31.12.2021
	AMD'000	AMD'000
Net foreign currency financial assets /(liabilities)		
EUR	4,883	13,123
USD	73,409	95,363
Total net exposure	<u>78,292</u>	<u>108,486</u>

The effect of a 10% strengthening of USD against AMD at the reporting date on the USD-denominated net assets carried at that date would, all other variables held constant, have resulted in an increase in pre-tax profit for the year and increase of net assets of AMD 2.9 million (2021: AMD 2.6 million). A 10% weakening in the exchange rate would, on the same basis, have decreased pre-tax profit and decreased net assets by AMD 4.2 million (2021: AMD 4.2 million).

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. In that context, the Company aims to keep sufficient cash to meet its obligations.

Liquidity risk is the risk that the Company will have difficulty in performing its financial liabilities that will be settled by providing cash or other financial assets.

The Company has no derivative financial liabilities.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities of the Company.

“BDO ARMENIA” CJSC
Notes forming part of the consolidated financial statements
For the year ended 31 December 2022 (continued)

5. Expenses by nature

2022	Total	Cost of sale	Administrative expenses	Selling expenses	Other expenses
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
Employee benefits	680,550	564,937	112,147	3,466	-
Office expenses	19,493	-	19,493	-	-
Depreciation and amortization	49,505	-	49,505	-	-
Other expenses	208,975	117,374	59,035	4,595	27,971
	<u>958,523</u>	<u>682,311</u>	<u>240,180</u>	<u>8,061</u>	<u>27,971</u>

2021	Total	Cost of sale	Administrative expenses	Selling expenses	Other expenses
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
Employee benefits	567,177	450,877	113,220	3,080	-
Office expenses	49,564	-	49,564	-	-
Depreciation and amortization	12,253	-	12,253	-	-
Other expenses	151,024	103,322	36,577	4,118	7,007
	<u>780,018</u>	<u>554,199</u>	<u>211,614</u>	<u>7,198</u>	<u>7,007</u>

“BDO ARMENIA” CJSC
Notes forming part of the consolidated financial statements
For the year ended 31 December 2021 (continued)

6. Trade and other receivables

	2022 AMD'000	2021 AMD'000
Trade receivables	132,459	114,401
Receivables from related parties	2,829	23,488
Total financial assets other than cash and cash equivalents classified as loans and receivables	135,288	137,889
Prepayments	25,446	12,555
Other receivables	21,911	4,695
Total trade and other receivables	182,645	155,139

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

Receivables from related parties are disclosed in Note 11.

7. Trade and other payables

	2022 AMD'000	2021 AMD'000
Trade payables	18,927	20,069
Trade payables from related parties	3,724	5,670
Other payables	3,880	3,544
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	26,531	29,283
Received prepayments	52,448	15,620
Taxes payable	41,360	21,443
Lease liabilities	58,460	89,100
Other Non-Current Liabilities	248,458	285,442
Total trade and other payables	427,257	440,888

The carrying value of trade and other payables classified as financial liabilities measured at amortized cost approximates their fair value.

8. Right-of-use assets and lease liabilities

The Company leases office space and warehouse space located in Yerevan, Armenia. Until 2021 leases of property and equipment were classified as operating leases. From 2021, leases are recognised as a right-of-use asset.

Right of use asset

2022 AMD'000	2021 AMD'000
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“BDO ARMENIA” CJSC
Notes forming part of the consolidated financial statements
For the year ended 31 December 2021 (continued)

As at the beginning of year	90,116	0
Addition	0	104,196
Amortization	(33,794)	(14,080)
As at the end of year	56,322	90,116

Lease liability

	2022	2021
	AMD'000	AMD'000
As at the beginning of year	89,100	0
Addition	0	99,210
Finance cost	9,247	4,901
Payments in cash	(39,888)	(15,011)
As at the end of year	58,460	89,100

9. Share capital and total equity

	2022	2021
	AMD'000	AMD'000
Share capital	8,418	7,778

The Company's share capital is AMD 8,418,000 (eight million four hundred eighteen thousand), which comprises 8,418 (eight thousand four hundred eighteen) shares with a par value of AMD 1'000 (one thousand) per share.

All 8,418 shares are issued and fully paid.

The shareholders of the Company have the right to receive from time to time a part of the profit from the activities of the group and to vote in the general meetings of the members of the Company on the principle of one vote.

In 2022 wasn't declared and paid dividend (in 2021 was declared a dividend of 31,880 thousand AMD).

10. Reserve capital

According to the charter the Company has to create a reserve capital at 15% of the share capital. The reserve capital is created through transfers from accumulated profit.

11. Related Party Disclosures

The Company enters into transactions with related parties under conditions equal to those of transactions between independent parties.

(i) Management remuneration

“BDO ARMENIA” CJSC
Notes forming part of the consolidated financial statements
For the year ended 31 December 2021 (continued)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Managing partner, deputy directors and heads of units.

Remuneration received by the key management personnel during the year is presented below:

	2022 AMD'000	2021 AMD'000
Salary and other benefits	219,008	179,206

(ii) Other related party transactions

a) Transactions with companies under common control

Type of transaction	Transaction amount	Balance owed
	2022 AMD'000	2021 AMD'000
Purchase of services	24,359	4,105
Sale of services	27,866	31,317
Prepayment	3,507	27,212
Receivables	0	576
Payables	2,829	22,912

12. Contingent liabilities

The Company is not enrolled in legal cases, which can materially affect the financial statements of the Company.

13. Effects of changes in accounting policies

No changes in the accounting policies have been accounted for in 2021.

14. Accounting policies

Functional and presentation currency

The functional currency of the Company is the AMD, the national currency of the Republic of Armenia, which is also the currency of the Company's financial statements. All financial information is presented in thousands of AMD.

Consolidation

The entity (parent) that controls one or more other entities (subsidiaries) shall present consolidated financial statements. Unless other circumstances are available, control is deemed to exist if the parent owns more than 50% of the voting shares in the Subsidiary :

The consolidated financial statements are financial statements of a reporting entity that comprises both the parent and its subsidiaries. The financial statements are consolidated from the date the parent gains control until the date when the entity ceases to control the subsidiary.

A parent shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

All intragroup transactions, balances, income and expenses in the consolidated financial statements are completely eliminated.

Revenue

The company mainly generates income from the provision of audit, accounting, tax, advisory and other professional services.

Performance obligation

At contract inception, an entity shall assess the services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer either:

- a) a service (ex. audit services) that is distinct; or
- (b) a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer (ex. monthly accounting service).

The performance obligation defined by the contract is clear and precise.

Determining the transaction price

Company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

Timing of Revenue recognition

An entity shall recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised service to a customer.

For each performance obligation identified, an entity shall determine at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

If an entity does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

Performance obligations satisfied over time:

- ✓ Accounting services, revenue is recognized on a monthly basis;
- ✓ Consulting services that a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer

Performance obligations satisfied at a point in time:

- ✓ An audit service, revenue is recognized at the date of the auditor's report.

Foreign currency

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which they operate are recorded at the rates prevailing at the dates when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the reporting date. The average exchange rate of the Armenian dram against the foreign exchange in the foreign exchange market published by the Central Bank of the Republic of Armenia is accepted as the exchange rate. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss.

Financial assets

Financial assets and financial liabilities are recognized when the Company becomes party 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 assets are transferred to a third party, with all significant risks and rewards.

An entity shall derecognise a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers substantially all the risks and rewards of ownership of the financial asset to the third party

Financial assets are derecognized when they are redeemed, the entity has no obligation to pay, canceled or expired.

The Company's financial assets are financial assets measured at amortized cost. These assets primarily arise from the provision of services to customers - trade receivables.

They are measured at amortized cost using the effective interest rate method, less provision for impairment.

Due to the maturity of receivables of less than one year, the Company does not discount them, assessing the impact of the discount as immaterial.

The Company uses a simplified IFRS 9 approach to measure expected credit losses on trade receivables measuring the loss allowance at an amount equal to lifetime expected credit losses. In this process, the probability of non-payment of trade receivables is assessed. This probability is then multiplied by the amount of anticipated loss to estimate the expected credit loss over the life of the trade receivable. The provision made for measurement of net amount of trade receivables is maintained under a separate account and is presented as part of cost of sale in the statement of comprehensive income. If trade receivable is uncollectible, the gross carrying amount of an asset is set off against the provision made.

Cash and cash equivalents include cash in hand and demand deposits in banks.

Financial liabilities

Financial liabilities include the following items: trade payables and other short-term monetary liabilities.

Trade payables and other short-term monetary liabilities, which are initially recognized at fair value and subsequently carried at amortised cost using the effective interest method. The Company does not discount trade payables with maturities of less than one year, assessing the impact of the discount as negligible:

Share capital

"BDO ARMENIA" CJSC
Notes forming part of the consolidated financial statements
For the year ended 31 December 2021 (continued)

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity instruments.

Lease assets

The Company's lease liabilities are measured at the present value of the lease payments during the lease contract period, discounted by the Company's incremental borrowing rate.

At the commencement date, the right-of-use assets are initially measured at the cost of the lease liability, less any lease incentives received and plus the following:

- any lease payments made at or before the commencement date,
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease.

Dividends

Dividends are recognized when they become legally payable, this is when approved by the shareholders.

Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost and subsequently measured at cost less accumulated depreciation and impairment losses.

The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.

The useful life of the fixed assets recognized by the Company is set out below.

Equipment	- 20% per annum straight line
Computer equipment	- 20% per annum straight line
Motor vehicles	- 10% per annum straight line