GNC-ALFA CJSC

Financial Statements
for 2022

Contents

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Independent Auditors' Report

To the Shareholders and Board of Directors of GNC-ALFA CJSC

Opinion

We have audited the financial statements of GNC ALFA CJSC (the "Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants 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 Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Standards, 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.

Auditors' 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 auditors' 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 scepticism 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 auditors' 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 auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is:

Irina Gevorgyan
Managing Partner, Director of KPMG Armenia LLC

KPMG Armenia LLC

KPMG Armenia LLC
1 May 2023

«KPMG ARMENIA»
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Statement of Financial Position as at 31 December 2022

’000 AMD	Note	2022	2021
Assets			
Property and equipment	9	11,597,534	11,143,131
Intangible assets	10	189,699	281,680
Right of use asset	11	1,532,105	1,215,958
Deferred tax assets	8	262,140	291,717
Prepayments for non-current assets		4,024,934	126,141
Total non-current assets		**17,606,412**	**13,058,627**
Inventories		112,128	65,009
Trade and other receivables	12	1,350,741	1,014,340
Cash and cash equivalents	13	902,704	1,215,097
Total current assets		**2,365,573**	**2,294,446**
Total assets		**19,971,985**	**15,353,073**
Equity			
Share capital		1,000,000	1,000,000
Accumulated losses		(823,719)	(7,718,877)
Total equity	14	**176,281**	**(6,718,877)**
Liabilities			
Contract liabilities	16	1,020,673	1,135,999
Lease liability	11	1,464,848	1,033,404
Total non-current liabilities		**2,485,521**	**2,169,403**
Contract liabilities	16	342,677	104,342
Loans and borrowings from ultimate parent company	17	15,336,631	18,530,893
Lease liability	11	202,783	276,636
Current tax liability		222,030	123,880
Trade and other payables	18	1,206,062	866,796
Total current liabilities		**17,310,183**	**19,902,547**
Total liabilities		**19,795,704**	**22,071,950**
Total equity and liabilities		**19,971,985**	**15,353,073**

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 47.

Statement of Profit or Loss and Other Comprehensive Income for 2022

000 AMD	Note	2022	2021
Revenue	5	8,281,184	7,886,555
Other operating income		195,537	77,260
Purchase of internet		(1,146,508)	(1,330,184)
Network infrastructure costs		(279,636)	(279,779)
Interconnection charges		(34,909)	(134,557)
Cost of goods sold and services provided		(97,016)	(46,130)
Wages and other employee benefits		(1,352,932)	(1,332,901)
Depreciation and amortization		(1,922,452)	(1,851,511)
Repairs and maintenance		(199,556)	(223,864)
Other operating expenses	6	(1,092,822)	(919,881)
Impairment losses on trade receivables	19(b)	(103,504)	(91,237)
Results from operating activities		**2,247,386**	**1,753,771**
Finance income	7	192,399	34,712
Net foreign exchange gain	7	5,867,144	3,264,265
Finance costs	7	(998,627)	(1,231,281)
Net finance income		**5,060,916**	**2,067,696**
Profit before income tax		**7,308,302**	**3,821,467**
Income tax expense	8	(413,144)	(291,275)
Profit for the year		**6,895,158**	**3,530,192**

These financial statements were approved by management on 27 April 2023 and were signed on its behalf by:

Hayk Faramazyan
General Director

Hayk Aslanyan
Deputy CEO/Finance Director

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 47.

Statement of Changes in Equity for 2022

’000 AMD	Share capital	Accumulated losses	Total
Balance at 1 January 2021	1,000,000	(11,249,069)	(10,249,069)
Total comprehensive income			
Profit for the year	-	3,530,192	3,530,192
Total comprehensive income for the year	**-**	**3,530,192**	**3,530,192**
Balance at 31 December 2021	**1,000,000**	**(7,718,877)**	**(6,718,877)**
Balance at 1 January 2022	1,000,000	(7,718,877)	(6,718,877)
Total comprehensive income			
Profit for the year	-	6,895,158	6,895,158
Total comprehensive income for the year	-	**6,895,158**	**6,895,158**
Balance at 31 December 2022	**1,000,000**	**(823,719)**	**176,281**

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 47.

Statement of Cash Flows for 2022

'000 AMD	Note	2022	2021
Cash flow from operating activities			
Cash receipts from customers		9,512,822	9,021,410
Cash paid to suppliers and employees		(3,929,434)	(3,996,601)
Payments for taxes other than on income		(1,787,601)	(1,838,974)
Cash generated from operating activities		**3,795,787**	**3,185,835**
Interest paid	17, 11	(135,437)	(150,627)
Net cash flows from operating activities		**3,660,350**	**3,035,208**
Cash flows from investing activities			
Interest received		56,905	34,712
Borrowings given		(1,800)	(1,160)
Proceeds from sale of property and equipment		7,039	-
Acquisition of property and equipment		(5,657,076)	(1,820,262)
Acquisition of intangible assets		(216,842)	(72,461)
Net cash flows used in investing activities		**(5,811,774)**	**(1,859,171)**
Cash flows from financing activities			
Proceeds from borrowings	17	2,287,050	-
Conversion gain	17	135,494	-
Lease liability payments	11	(261,690)	(240,765)
Net cash flows from/(used in) financing activities		**2,160,854**	**(240,765)**
Net increase in cash and cash equivalents		**9,430**	**935,272**
Effect of exchange rate fluctuations on cash and cash equivalents		(321,823)	(18,524)
Cash and cash equivalents as of 1 January		1,215,097	298,349
Cash and cash equivalents as of 31 December	13	**902,704**	**1,215,097**

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 47.

1. Reporting entity

(a) 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 has led to a social unrest in Armenia. In spite of the existence of the cease fire arrangement, the military forces of Armenia and Azerbaijan have been engaged in border conflict, which has also increased the level of uncertainty in the business environment.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

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.

(b) Organisation and operations

GNC-ALFA CJSC (the "Company") was established in the Republic of Armenia as a limited liability company on 30 July 2007. On 23 April 2008 the Company was re-established as a closed joint stock company.

The Company's registered office is 1 Khaghaghutyan Street, Abovyan, Republic of Armenia.

The main activities of the Company are provision of communication services, in particular broadband internet access, international data transmission, transit services via its fiber optic cable networks, rental of communication channels, sale and maintenance of optical fiber lines, and internet and telephony services to retail customers.

In December 2012 the Company launched internet and telephony services to domestic retail customers. During 2012-2015 years the Company performed large capital investments and significantly expanded its retail network and equipment throughout Yerevan and nearby cities.

In December 2008 the Company received a 10-year license for operating network services in Armenia. In 2018 the license was prolonged for another 10 years.

The Company is wholly owned by Filor Ventures LTD (the Shareholder), registered in the Republic of Cyprus. The Company's ultimate parent company is Rostelecom PJSC. The Company is ultimately controlled by the Government of the Russian Federation.

Related party transactions are disclosed in Note 22.

2. Basis of accounting

Statement of compliance

The accompanying financial statements are prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

3. 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. All financial information presented in AMD has been rounded to the nearest thousand, except when otherwise indicated.

4. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies and significant estimates that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 19 (b) (ii) – allowance for trade receivables;
- Note 5 (b) – determination of significant financing component on advances received under dark fiber sale and IRU contracts;
- Note 24 (i) (iii) – useful lives of property, plant and equipment.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in Note 19 (b) (ii) – measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted-average loss rate.

Measurement of fair values

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 19 (a) – fair values of financial assets and liabilities.

5. Revenue

(a) Revenue streams

’000 AMD	2022	2021
Revenue from contracts with the customers		
Revenue from services provided to retail customers	3,808,778	3,697,635
Local data transfer services	1,020,625	929,733
Broadband internet	1,023,097	864,178
IP transit internet services	636,742	719,591
International data transit services	390,918	424,624
Dark fiber maintenance	308,067	281,798
Revenue from dark fiber IRU contracts	236,867	236,867
VoIP telephony services	116,474	105,057
Interconnection services	21,659	10,814
Sales of goods	56,583	9,259
Other services	58,501	41,266
Total revenue from contracts with the customers	**7,678,311**	**7,320,822**
Other revenue		
Lease of telecommunication equipment	474,125	460,289
Lease of dark fiber channels	91,571	87,748
Other services	37,177	17,696
Total other revenue	**602,873**	**565,733**
	8,281,184	**7,886,555**

(b) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market and timing of revenue recognition.

For the year ended 31 December	Retail customers		Corporate customers		Total	
’000 AMD	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Primary geographical markets						
Armenia	4,276,259	4,162,204	3,483,777	3,316,549	7,760,036	7,478,753
CIS countries	-	-	487,844	382,414	487,844	382,414
European countries	-	-	33,304	25,388	33,304	25,388
	4,276,259	**4,162,204**	**4,004,925**	**3,724,351**	**8,281,184**	**7,886,555**
Timing of revenue recognition						
Products transferred at a point in time	7,512	4,280	49,071	4,979	56,583	9,259
Products and services transferred over time	3,775,427	3,641,986	3,846,301	3,669,577	7,621,728	7,311,563
Revenue from contracts with customers	**3,782,939**	**3,646,266**	**3,895,372**	**3,674,556**	**7,678,311**	**7,320,822**
Other revenue	**493,320**	**515,938**	**109,553**	**49,795**	**602,873**	**565,733**
	4,276,259	**4,162,204**	**4,004,925**	**3,724,351**	**8,281,184**	**7,886,555**

(c) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

’000 AMD	Note	31 December 2022	31 December 2021
Receivables, which are included in ‘trade and other receivables’	12	1,234,646	876,011
Deferred revenue from dark fiber and IRU contracts	16	1,125,399	1,218,154
Customer advances and deferred revenue	16	237,951	22,187

The contract assets primarily relate to the Company’s rights to consideration for work completed but not billed at the reporting date for services provided. Due to the nature of the business, there are no contract balances from the contracts with customers.

Contract liabilities comprise advance consideration received from dark fiber and IRU contracts for which revenue is recognised over time during 8 years which is average remaining contract term (see Note 16) and customer advances and deferred revenue which relate to advance consideration received from subscribers, for which the revenue is recognized upon service provision.

The amount of AMD 259,054 thousand recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2022 (2021: AMD 236,867 thousand).

Remaining performance obligations under IRU contracts have a nominal value of AMD 1,704,653 thousand as at 31 December 2022 (2021: AMD 1,941,520 thousand) and are discounted using 12.1%-16% rates.

Remaining performance obligations under IRU contracts included in contract liabilities are expected to be recognised in revenue of future periods as follows:

’000 AMD	31 December 2022	31 December 2021
Less than 1 year	104,726	82,155
1-2 years	117,870	104,726
2-5 years	454,401	402,065
More than 5 years	448,402	629,208
	1,125,399	**1,218,154**

No information is provided about remaining performance obligations at 31 December 2022 that have an original expected duration of one year or less, as allowed by IFRS 15.

Management estimates that incremental costs incurred to obtain a contract, such as sales agent bonuses, are immaterial.

(d) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

(i) Service revenue

Service revenue primarily comprises revenues earned from monthly fees on the delivery of internet and related services to retail customers, broadband internet and data transmission services to corporate customers and monthly fees on the maintenance of its network under dark fiber contracts and indefeasible right of use, or IRU contracts. Such revenue is recognised over time when the services are rendered to customers based on time elapsed.

Customer contracts often include various services, however because the services are provided concurrently the Company account for the bundle as a single performance obligation. For additional goods or services the Company applies judgment in determining whether such options provide a material right to the customer that the customer would not receive without entering into the contract.

For certain dark fiber and IRU contracts with effective term of 20 years, where the obligation for the network maintenance and the related risk of return remains with the Company during the life of the contract, the Company defers any up-front payments received from the customers for a period of up to 20 years. In these situations, the Company defers the revenue and amortizes it on a straight-line basis to earnings over the term of the contract.

These contracts concluded between the Company and its customers contain a significant financing component because of the length of time between when the customer pays for the services and when the Company provides services to the customer. The transaction price for such contracts is adjusted for the effects of time value of money using discount rate that would be reflected in a separate financing transaction between the Company and its customer at contract inception.

(ii) Goods sold

Revenue is recognised when the customer obtains control of the goods, usually on their delivery.

6. Other operating expenses

'000 AMD	2022	2021
Advertising and marketing	248,013	231,583
Promotional activities	182,288	168,033
Utilities	129,284	116,178
Outsourced call center services	121,923	120,000
Loss on disposal of non-current assets	58,773	1,523
Occupancy	43,953	26,734
Charity	43,049	48,652
Taxes other than on income	42,749	51,700
Indirect production costs	30,537	310
Fuel expenses	21,947	15,270
Insurance costs	17,369	17,740
Representation expenses	15,637	15,667
Consulting and audit fees	11,789	21,273
Security expenses	10,090	9,680
State duties and fees	10,003	2,469
Communication expenses	9,143	9,271
Other	96,275	63,798
	1,092,822	**919,881**

7. Finance income and finance costs

'000 AMD	2022	2021
Interest income from on demand bank deposits	56,905	34,712
Conversion gain (Note 17)	135,494	-
Finance income	**192,399**	**34,712**
Interest expense on loans and borrowings and bank overdrafts	(719,084)	(925,942)
Interest expense on contract liabilities from dark fiber and IRU contracts	(144,114)	(154,712)
Interest expense on lease liabilities	(135,429)	(150,627)
Finance costs	**(998,627)**	**(1,231,281)**
Net foreign exchange gain	5,867,144	3,264,265
Net finance income recognised in profit or loss	**5,060,916**	**2,067,696**

8. Income taxes

(a) Amounts recognised in profit or loss

The Company's applicable tax rate is the income tax rate of 20% for Armenian companies.

'000 AMD	2022	2021
Current tax expense	383,567	269,221
Origination and reversal of temporary differences	29,577	22,054
Total income tax expense	**413,144**	**291,275**

Reconciliation of effective tax rate:

	2022		2021	
	'000 AMD	**%**	**'000 AMD**	**%**
Profit before income tax	7,308,302		3,821,467	
Tax at applicable tax rate	1,315,494	18	687,864	18
Non-taxable income*	(902,350)	(12.3)	(396,589)	(10.4)
	413,144	**5.7**	**291,275**	**7.6**

* From the total effect of non-taxable income/non-deductible expenses recognized by the Company during 2022 foreign exchange gain was at the amount of AMD 1,052,174 thousand (2021: gain at the amount of AMD 587,568 thousand) and interest expense from ultimate shareholder Rostelecom PJSC was at the amount of AMD 129,434 thousand (2021: AMD 166,670 thousand).

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
'000 AMD	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Property, plant and equipment	-	-	(113,851)	(89,669)	(113,851)	(89,669)
Intangible assets	48,593	46,284	-	-	48,593	46,284
Trade and other receivables	70,847	64,302	-	-	70,847	64,302
Contract liabilities	202,572	219,268	-	-	202,572	219,268
Trade and other payables	29,584	34,597	-	-	29,584	34,597
ROU asset/ lease liability	24,395	16,935	-	-	24,395	16,935
Net tax assets	**375,991**	**381,386**	**(113,851)**	**(89,669)**	**262,140**	**291,717**

(c) Movement in temporary differences during the year

'000 AMD	**1 January 2022**	**Recognised in profit or loss**	**31 December 2022**
Property, plant and equipment	(89,669)	(24,182)	(113,851)
Intangible assets	46,284	2,309	48,593
Trade and other receivables	64,302	6,545	70,847
Contract liabilities	219,268	(16,696)	202,572
Trade and other payables	34,597	(5,013)	29,584
ROU asset/lease liability	16,935	7,460	24,395
	291,717	**(29,577)**	**262,140**

'000 AMD	**1 January 2021**	**Recognised in profit or loss**	**31 December 2021**
Property, plant and equipment	(57,569)	(32,100)	(89,669)
Intangible assets	46,457	(173)	46,284
Trade and other receivables	39,081	25,221	64,302
Contract liabilities	234,055	(14,787)	219,268
Trade and other payables	35,510	(913)	34,597
ROU asset/lease liability	16,237	698	16,935
	313,771	**(22,054)**	**291,717**

9. Property and equipment

'000 AMD	**Equipment**	**Transmitting devices**	**Vehicles**	**Construction in progress**	**Other**	**Total**
Cost						
Balance at 1 January 2021	11,889,310	11,752,218	355,774	278,608	222,892	24,498,802
Additions	617,219	799,686	20,160	288,765	4,912	1,730,742
Transfers	320,414	-	-	(320,414)	-	-
Disposals/Write offs	(89,926)	(210)	-	-	-	(90,136)
Balance at 31 December 2021	**12,737,017**	**12,551,694**	**375,934**	**246,959**	**227,804**	**26,139,408**
Balance at 1 January 2022	12,737,017	12,551,694	375,934	246,959	227,804	26,139,408
Additions	726,175	806,318	38,849	327,364	4,742	1,903,449
Transfers	-	316,901	-	(316,901)	-	-
Disposals/Write offs	(84,860)	-	-	-	-	(84,860)
Balance at 31 December 2022	**13,378,333**	**13,674,914**	**414,783**	**257,422**	**232,546**	**27,957,997**
Depreciation						
Balance at 1 January 2021	(9,502,004)	(3,644,465)	(305,921)	-	(212,271)	13,664,661)
Depreciation for the year	(722,205)	(657,673)	(30,148)	-	(1,309)	(1,411,335)
Disposals/Write offs	79,642	77	-	-	-	79,719
Balance at 31 December 2021	**(10,144,567)**	**(4,302,061)**	**(336,069)**	**-**	**(213,580)**	**(14,996,277)**
Balance at 1 January 2022	(10,144,567)	(4,302,061)	(336,069)	-	(213,580)	(14,996,277)
Depreciation for the year	(623,553)	(731,932)	(32,908)	-	(1,747)	(1,390,139)
Disposals/Write offs	25,953	-	-	-	-	25,933
Balance at 31 December 2022	**(10,742,167)**	**(5,033,993)**	**(368,977)**	**-**	**(215,327)**	**(16,360,463)**
Carrying amounts						
At 1 January 2021	2,387,306	8,107,753	49,853	278,608	10,621	10,834,141
At 31 December 2021	2,592,450	8,249,633	39,865	246,959	14,224	11,143,131
At 31 December 2022	**2,636,166**	**8,640,921**	**45,806**	**257,422**	**17,219**	**11,597,534**

Depreciation expense of property, plant and equipment is recognised in profit or loss.

10. Intangible assets

’000 AMD	Licenses	Number capacities	Business automation software	Other	Total
Cost					
Balance at 1 January 2021	211,420	140,746	613,291	403,988	1,369,445
Additions	3,956	-	24,311	11,449	39,716
Balance at 31 December 2021	**215,376**	**140,746**	**637,602**	**415,437**	**1,409,161**
Balance at 1 January 2022	215,376	140,746	637,602	415,437	1,409,161
Additions	68,809	-	34,356	48,043	151,208
Balance at 31 December 2022	**284,185**	**140,746**	**671,958**	**463,480**	**1,560,369**
Amortization					
Balance at 1 January 2021	(123,745)	(104,090)	(444,537)	(256,471)	(928,843)
Amortization for the year	(65,257)	(13,610)	(109,018)	(10,753)	(198,638)
Balance at 31 December 2021	**(189,002)**	**(117,700)**	**(553,555)**	**(267,224)**	**(1,127,481)**
Balance at 1 January 2022	(189,002)	(117,700)	(553,555)	(267,224)	(1,127,481)
Amortization for the year	(95,183)	-	(118,403)	(29,603)	(243,189)
Balance at 31 December 2022	**(284,185)**	**(117,700)**	**(671,958)**	**(296,827)**	**(1,370,670)**
Carrying amounts					
At 1 January 2021	87,675	36,656	168,754	147,517	440,602
At 31 December 2021	26,374	23,046	84,047	148,213	281,680
At 31 December 2022	**-**	**23,046**	**-**	**166,653**	**189,699**

The amortization of intangible assets is recognised in profit or loss.

11. Leases

(a) Leases as lessee

The Company leases premises for network equipment, service shops, warehouse, head office building and dark fibers. The lease terms have been determined as 11-20 years for premises for network equipment, 3-8 years for service shops, 20 years for dark fibers, 7 years for the warehouse and 2-3 years for head office building. All of these leases were classified as right-of use assets under IFRS 16.

The Company leases vehicles and other premises with contract terms of less than or equal to one year. These leases are short-term. The Company also leases street poles the contract terms of which are indefinite. These leases are of low value. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Company is a lessee is presented below.

(i) Right-of-use assets

'000 AMD	**Premises for network equipment**	**Service shops**	**Warehouse**	**Head office building**	**Dark fibers**	**Total**
Balance at 1 January 2021	454,742	195,290	107,207	67,023	261,579	1,085,841
Additions to right-of-use assets	5,880	72,317	-	160,262	133,196	371,655
Depreciation charge for the year	(33,222)	(55,775)	(19,950)	(104,739)	(27,852)	(241,538)
Balance at 31 December 2021	**427,400**	**211,832**	**87,257**	**122,546**	**366,923**	**1,215,958**
Additions to right-of-use assets	51,839	52,044	-	-	-	103,883
Depreciation charge for the year	(34,804)	(78,639)	(40,947)	(106,841)	(27,893)	(289,124)
Changes due to modification	4,503	48,160	241,615	270,883	373	565,534
Disposals	(31,585)	(32,561)	-	-	-	(64,146)
Balance at 31 December 2022	**417,353**	**200,836**	**287,925**	**286,588**	**339,403**	**1,532,105**

(ii) Amounts recognised in profit or loss

'000 AMD	**2022**	**2021**
Leases under IFRS 16		
Interest expense on lease liabilities	135,429	150,627
Depreciation of right of use assets	289,124	241,538
Expenses relating to short-term and low value leases	43,953	26,734

(iii) Amounts recognised in statement of cash flows

'000 AMD	**2022**	**2021**
Lease liability principal payments	261,690	240,765
Lease liability interest payments	135,429	150,627
Total cash outflow for leases	**397,119**	**391,392**

(iv) Reconciliation of movements of liabilities to cash flows arising from financial activities - lease liabilities

'000 AMD	**Premises for network equipment**	**Service shops**	**Warehouse**	**Head office building**	**Dark fibers**	**Total**
Balance at 1 January 2022	494,520	207,075	69,347	136,510	402,588	1,310,040
Changes from financing cash flows:						
Payment of lease liabilities – principal	(25,372)	(68,175)	(45,210)	(107,526)	(15,407)	(261,690)
Total changes from financing cash flow	**(25,372)**	**(68,175)**	**(45,210)**	**(107,526)**	**(15,407)**	**(261,690)**
Other changes:						
Lease additions	50,337	52,044	-	-	-	102,381
Changes due to modification	4,503	48,160	241,615	270,883	373	565,534
Disposals	(36,330)	(12,304)	-	-	-	(48,634)
Interest expense	54,959	22,336	5,190	8,274	44,670	135,429
Interest paid *	(54,959)	(22,336)	(5,190)	(8,274)	(44,670)	(135,429)
Total liability-related other changes	**18,510**	**87,900**	**241,615**	**270,883**	**373**	**619,281**
Balance at 31 December 2022	**487,658**	**226,800**	**265,752**	**299,867**	**387,554**	**1,667,631**

'000 AMD	**Premises for network equipment**	**Service shops**	**Warehouse**	**Head office building**	**Dark fibers**	**Total**
Balance at 1 January 2021	494,064	215,861	109,723	74,344	282,238	1,176,230
Changes from financing cash flows:						
Payment of lease liabilities – principal	(16,396)	(73,051)	(40,376)	(98,096)	(12,846)	(240,765)
Total changes from financing cash flow	**(16,396)**	**(73,051)**	**(40,376)**	**(98,096)**	**(12,846)**	**(240,765)**
Other changes:						
Lease additions	5,880	72,317	-	160,262	133,196	371,655
Changes due to modification	10,972	(8,052)	-	-	-	2,920
Interest expense	58,326	23,840	14,224	8,054	46,183	150,627
Interest paid *	(58,326)	(23,840)	(14,224)	(8,054)	(46,183)	(150,627)
Total liability-related other changes	**16,852**	**64,265**	**-**	**160,262**	**133,196**	**374,575**
Balance at 31 December 2021	**494,520**	**207,075**	**69,347**	**136,510**	**402,588**	**1,310,040**

* Lease payments during the period relates to interest accrued first. If lease payments greater than interest accrued, the excess amount of payments relates to principal.

(b) Leases as lessor

The Company leases out dark fibers representing part of its own fiber optic network as well as provides telecommunication equipment to customers for use under service provision contracts. All leases are classified as operating leases from a lessor perspective because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Company during 2022 was AMD 565,696 thousand (2021: AMD 548,037 thousand).

12. Trade and other receivables

’000 AMD	**2022**	**2021**
Trade receivables	1,522,559	1,106,148
Impairment allowance for trade receivables	(287,913)	(230,137)
Other receivables	32,768	72,981
Trade and other receivables included in amortised cost category	**1,267,414**	**948,992**
Value added tax recoverable	13,248	13,248
Prepayments given	70,079	52,100
	1,350,741	**1,014,340**

The Company’s exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 19.

13. Cash and cash equivalents

’000 AMD	**2022**	**2021**
Bank balances		
− rated from BB- to BB+	398,910	63,945
− rated from B- to B+	472,144	1,141,550
− not rated	23,656	340
Total bank balances	**894,710**	**1,205,835**
Cash in transit	7,994	9,262
Cash and cash equivalents in the statement of financial position and in the statement of cash flows	**902,704**	**1,215,097**

The Company’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 19.

14. Capital and reserves

(a) Share capital

As at 31 December 2022 authorized, issued and outstanding share capital comprises 10,000 ordinary shares (2021: 10,000). All shares have a nominal value of AMD 100 thousand (2021: AMD 100 thousand).

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

(b) Dividends

In accordance with Armenian legislation, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with International Financial Reporting Standards, except for restrictions on retained earnings as described below.

At 31 December 2022 the Company did not have reserves available for distribution (2021: none). No dividends were declared at the reporting date and during 2022 (2021: none).

15. Capital management

The Company has no formal policy for capital management but 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 Company is not subject to externally imposed capital requirements.

16. Contract liabilities

'000 AMD	**2022**	**2021**
Non-current portion		
Deferred revenue from dark fiber and IRU contracts	1,020,673	1,135,999
	1,020,673	**1,135,999**
Current portion		
Deferred revenue from dark fiber and IRU contracts	104,726	82,155
Customer advances for other services	237,951	22,187
	342,677	**104,342**
	1,363,350	**1,240,341**

Deferred revenue from dark fiber and IRU contracts represent the amount of up-front payments received for the services to be delivered during a period of 20 years (Note 5(c)).

17. Loans and borrowings from ultimate parent company

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see Note 19.

'000 AMD	**2022**	**2021**
Current liabilities		
Loan from ultimate parent company	15,336,631	18,530,893
	15,336,631	**18,530,893**

The loan from ultimate parent company amounts to RUB 2,744 million with the contractual maturity in 2029. According to the terms of the loan agreements, the loan can be recalled anytime at the discretion of the lender. During the year ended 31 December 2022, the loan was converted from EUR to RUB (31 December 2021: EUR 34,2 million).

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2022		**31 December 2021**	
'000 AMD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Loan from ultimate parent company	RUB	7.50% - 9%	On demand	15,336,631	15,336,631	-	-
Loan from ultimate parent company	EUR	5.50%	On demand	-	-	18,530,893	18,530,893
				15,336,631	**15,336,631**	**18,530,893**	**18,530,893**

The Company's ultimate parent company confirmed that it will provide, for the foreseeable future, such financial and other support as is necessary to permit the Company to continue in operational existence and to meet financial obligations as they become due. In addition, although the loans from ultimate parent company are payable on demand, the ultimate parent company confirmed that it is not planning to require settlement of the loans of RUB 2,744 million in the foreseeable future.

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

’000 AMD	Loans and borrowings	
	2022	**2021**
Balance at 1 January	18,530,893	20,893,766
Changes from financing cash flows		
Proceeds from borrowings	2,287,050	-
Other movement/conversion gain	(135,494)	-
Total changes from financing cash flows	**2,151,556**	**-**
The effect of changes in foreign exchange rates	**(6,064,894)**	**(3,288,815)**
Other changes		
Liability-related		
Interest expense	719,084	925,942
Interest paid	(8)	-
Total liability-related other changes	**719,076**	**925,942**
Balance at 31 December	**15,336,631**	**18,530,893**

18. Trade and other payables

’000 AMD	2022	2021
Trade payables	701,904	354,182
Payables to employees	278,352	293,964
Taxes payable other than income tax	147,166	150,622
Payables for acquisition of property and equipment	28,928	5,278
Other payables	49,712	62,750
	1,206,062	**866,796**

The Company’s exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 19.

19. Fair values and risk management

(a) Fair values of financial instruments

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

The Company has determined fair values of financial assets and liabilities using valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model. Fair value of all financial assets and liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Management believes that the fair value of the Company's financial assets and liabilities approximates their carrying amounts due to their short-term nature.

(b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk – Note 19 (b) (ii);
- liquidity risk – Note 19 (b) (iii);
- market risk – Note 19 (b) (iv).

(i) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(ii) Exposure to 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, and arises principally from the Company's receivables from customers and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

'000 AMD	**Carrying amount**	
	2022	**2021**
Trade receivables	1,234,946	876,011
Cash and cash equivalents	902,704	1,215,097
	2,137,650	**2,091,108**

Trade receivables

Most of the Company's wholesale and end-user corporate customers have been transacting with the Company for more than five years. Credit risk is managed by requesting up-front payments from the large customers in relation to long-term contracts. For other revenue contracts the Company assesses customers' creditworthiness before the Company's standard payment and service terms and conditions are offered. For its wholesale and end-user corporate customers the Company monitors the credit risk individually by assessing the creditworthiness of each customer based on the ageing profile, industry, geographic location, maturity, trading history with the Company and existence of previous financial difficulties. Management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 6(b).

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month for individual and corporate customers.

The Company does not require collateral in respect of trade and other receivables. The Company does not have trade receivable for which no loss allowance is recognised because of collateral.

At 31 December 2022 and 31 December 2021, the exposure to credit risk for trade receivables by geographic region was as follows.

’000 AMD	**Carrying amount**	
	2022	**2021**
Domestic	962,206	832,680
Other CIS countries	272,510	41,391
Euro-zone countries	230	1,940
	1,234,946	**876,011**

At 31 December 2022 and 31 December 2021, the exposure to credit risk for trade receivables by type of counterparty was as follows.

’000 AMD	**Carrying amount**	
	2022	**2021**
Wholesale customers	385,258	218,982
End-user retail customers	389,356	369,044
End-user corporate customers	460,332	287,985
	1,234,946	**876,011**

The five largest customers of the Company account for AMD 498,858 thousand, or 40% of the trade receivables carrying amount at 31 December 2022 (2021: AMD 179,442 thousand or 20%).

Expected credit loss assessment for corporate and individual customers

The Company assesses individually the ECL of trade receivables from corporate customers with external ratings, large telecom companies, banks and customers with outstanding balances of greater than AMD 10,000 thousand. The Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from Moody’s rating agency. The Company calculates an ECL rate for individually assessed trade receivables based on delinquency status and actual credit loss experience over the past two years.

The following table sets out information about exposure to credit risk, ECLs and credit quality of trade receivables assessed individually:

2022 **'000 AMD**	**Lifetime ECL not impaired**	**Lifetime ECL impaired**	**Total**
Gross carrying amount of corporate customers assessed individually - not rated	514,569	49,872	564,441
Gross corporate customers assessed individually	**514,569**	**49,872**	**564,441**
Expected credit losses	(10,168)	(42,113)	(52,281)
Net corporate customers assessed individually	**504,401**	**7,759**	**512,160**

2021 **'000 AMD**	**Lifetime ECL not impaired**	**Lifetime ECL impaired**	**Total**
Gross carrying amount of corporate customers assessed individually - rated BB+ per S&P	23,263	-	23,263
Gross carrying amount of corporate customers assessed individually - not rated	176,009	27,247	203,256
Gross corporate customers assessed individually	**199,272**	**27,247**	**226,519**
Expected credit losses	(3,776)	(10,285)	(14,061)
Net corporate customers assessed individually	**195,496**	**16,962**	**212,458**

Management estimates that as at 31 December 2022 the unrated corporate trade receivables assessed individually AMD 514,569 thousand (2021: AMD 176,009 thousand) approximate rating of B+ to BB- under Standard & Poor's rating system.

The following table provides information about the exposure to credit risk and ECLs for corporate and individual trade receivables assessed collectively as at 31 December 2022.

'000 AMD	**Gross corporate customers assessed collectively**	**Gross individual customers assessed collectively**	**Expected credit losses**	**Expected credit loss rates**	**Net carrying amount assessed collectively**
Not past due	292,178	385,951	(13,930)	2.1%	664,199
Past due 0 - 30 days	38,547	9,821	(10,311)	21.3%	38,057
Past due 31 - 60 days	21,394	5,895	(10,442)	38.3%	16,847
Past due 61 - 90 days	7,488	3,979	(7,784)	67.9%	3,683
Past due more than 90 days	160,726	32,439	(193,165)	100.0%	-
	520,333	**438,085**	**(235,632)**	**24.6%**	**722,786**

The following table provides information about the exposure to credit risk and ECLs for corporate and individual trade receivables assessed collectively as at 31 December 2021.

’000 AMD	Gross corporate customers assessed collectively	Gross individual customers assessed collectively	Expected credit losses	Expected credit loss rates	Net carrying amount assessed collectively
Not past due	253,058	366,375	(13,757)	2.2%	605,676
Past due 0 - 30 days	38,865	9,998	(10,729)	22.0%	38,134
Past due 31 - 60 days	22,961	5,045	(10,730)	38.3%	17,276
Past due 61 - 90 days	5,771	2,737	(6,041)	71.0%	2,467
Past due more than 90 days	134,254	40,565	(174,819)	100.0%	-
	454,909	**424,720**	**(216,076)**	**24.6%**	**663,553**

The Company uses an allowance matrix to measure the ECLs of trade receivables for collectively assessed customers, which comprise a very large number of small balances.

Loss rates are calculated using a ‘roll rate’ method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for corporate and individual customers. Loss rates are based on actual credit loss experience over the past two years.

For collectively assessed receivables an impairment rate of 100% was applied to gross trade and other receivables from customers overdue by more than 90 days, with lower impairment rates applied for ageing categories of trade and other receivables that are overdue for shorter periods.

Movements in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

’000 AMD	2022	2021
Balance at the beginning of the year	230,137	217,116
Impairment loss recognized	103,504	91,237
Amounts written off against trade receivables	(45,728)	(78,216)
Balance at the end of the year	**287,913**	**230,137**

Cash and cash equivalents

The Company held cash in transit and bank balances of AMD 902,704 thousand at 31 December 2022 (2021: AMD 1,215,097 thousand), which represents its maximum credit exposure on these assets. From total cash in transit and bank balances AMD 871,054 thousand (2021: AMD 1,205,495 thousand) are held with Armenian banks and payment organizations with credit rating of B- to B+ under Standard & Poor’s rating system.

Per Company’s assessment no impairment loss is recognized on cash in transit and bank balances primarily due to their short maturities.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of two months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments.

31 December 2022

'000 AMD	**Carrying amount**	**Contractual cash flows**	**On demand**	**Less than 2 months**	**2-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Loan from ultimate parent company	15,336,631	15,336,631	15,336,631	-	-	-	-
Trade and other payables	1,058,896	1,058,896	-	894,541	164,355	-	-
Lease liabilities	1,667,631	2,844,978		68,050	319,568	1,148,656	1,308,704
	18,063,158	**19,240,505**	**15,336,631**	**962,591**	**483,923**	**1,148,656**	**1,308,704**

31 December 2021

'000 AMD	**Carrying amount**	**Contractual cash flows**	**On demand**	**Less than 2 months**	**2-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Loan from ultimate parent company	18,530,893	18,530,893	18,530,893	-	-	-	-
Trade and other payables	716,174	716,174	-	523,967	192,207	-	-
Lease liabilities	1,310,040	2,294,463	-	77,095	334,467	706,487	1,176,414
	20,557,107	**21,541,530**	**18,530,893**	**601,062**	**526,674**	**706,487**	**1,176,414**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company does not apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than AMD. The currency in which these transactions primarily are denominated is RUB as at 31 December 2022 (2021: EUR).

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

'000 AMD	USD-denominated 2022	EUR-denominated 2022	RUB-denominated 2022	USD-denominated 2021	EUR-denominated 2021	RUB-denominated 2021
Cash and cash equivalents	33,778	286,831	87,740	9,331	94,907	4,531
Trade receivables	229,621	84,020	1,420	36,181	6,195	970
Loans and borrowings	-	-	(15,336,631)	-	(18,530,893)	-
Trade payables	(289,567)	(8,384)	(4,185)	(98,623)	(2,515)	(812)
	(26,168)	**362,467**	**(15,251,656)**	**(53,111)**	**(18,432,306)**	**4,509**

The following significant exchange rates applied during the year:

in AMD	Average rate		Reporting date spot rate	
	2022	2021	2022	2021
USD 1	434.86	503.20	393.57	480.14
EUR 1	459.48	595.18	420.06	542.61
RUB 1	6.48	6.83	5.59	6.42

Sensitivity analysis

A reasonably possible strengthening (weakening) of the AMD, as indicated below, against USD, EUR and RUB at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

’000 AMD	Strengthening	Weakening
	Profit or (loss)	Profit or (loss)
31 December 2022		
AMD 10% movement against USD	2,617	(2,617)
AMD 10% movement against EUR	(36,247)	36,247
AMD 10% movement against RUB	1,525,166	(1,525,166)
31 December 2021		
AMD 10% movement against USD	5,311	(5,311)
AMD 10% movement against EUR	1,843,231	(1,843,231)
AMD 10% movement against RUB	(451)	451

Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Company’s exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Company over the expected period until maturity.

Exposure to interest rate risk

At the reporting date the interest rate profile of the Company’s interest-bearing financial instruments was:

’000 AMD	Carrying amount	
	2022	2021
Fixed rate instruments		
Financial assets	485,236	1,112,019
Financial liabilities	(15,336,631)	(18,530,893)
	(14,851,395)	**(17,418,874)**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial instruments as fair value through profit or loss or as fair value through other comprehensive income. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

20. Capital commitments

As at 31 December 2022 the total amount outstanding under the Company's contracts to purchase property, plant and equipment is AMD 2,205,491 thousand (2021: AMD 68,338 thousand). These contracts mainly relate to project of constructing a 218 rack data center in Abovyan city, Armenia.

21. Contingencies

(a) Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Company property or relating to Company operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

(b) Litigations

In the ordinary course of business, the Company is subject to legal actions, litigations and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

(c) Taxation contingencies

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.

Transfer pricing legislation enacted in the Republic of Armenia starting from 1 January 2020. The legislation is effective for the financial year 2020 and onwards. The local transfer pricing rules are closer to OECD guidelines, but with uncertainty in practical application of tax legislation in certain circumstances.

Transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

Transfer pricing rules apply to the transactions listed below, if the total amount of the controlled transaction exceeds AMD 200 million in the tax year:

- cross-border transactions between related parties;
- cross-border transactions with companies registered in offshore zones, regardless of being related party or not;
- certain in-country transactions between related parties, as determined under the Armenian Tax Code.

Since there is no practice of applying the transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these consolidated financial statements.

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.

22. Related party transactions

(a) Control relationships

The Company's immediate parent company is Filor Ventures Ltd.

As at 31 December 2018 Rostelecom International Ltd, the 100% subsidiary of Rostelecom PJSC, owned 74.98% shares of Filor Ventures Ltd. During 2019 Rostelecom International Ltd purchased additional 25.02% shares of Filor Ventures Ltd increasing its stake up to 100%.

Rostelecom PJSC is the ultimate parent company of the Company which is ultimately controlled by the Government of the Russian Federation.

Rostelecom PJSC produces publicly available financial statements.

(b) Transactions with key management personnel

(i) Key management remuneration

Key management received the following remuneration during the year, which is included in wages and other employee benefits as shown in the statement of profit or loss and other comprehensive income:

'000 AMD	**2022**	**2021**
Key management	**409,119**	**405,345**

(c) Transactions with government related entities

The Company transacts in its daily operations with a number of entities that are either controlled or jointly controlled by the government of Russia. The Company applies the exemption in IAS 24 *Related Party Disclosures* that allows to present reduced related party disclosures regarding transactions with government-related entities.

Included in the Company's revenue is AMD 143,567 thousand (2021: AMD 138,167 thousand) from three entities significantly influenced or controlled by the government of the Russian Federation. The sales are on terms comparable to those with other entities that are not government-related.

Included in the Company's expenses is AMD 79,991 thousand (2021: AMD 80,254 thousand) from two entities significantly influenced or controlled by the government of the Russian Federation.

(d) Other related party transactions

The Company's other related party transactions are disclosed below.

(i) Revenues

'000 AMD	Transaction value 2022	Transaction value 2021
Services provided:		
Ultimate parent company:		
– revenue from international data transit services	275,359	286,708
Entities under common control:		
– revenue from international data transit services and other income	203,918	7,924

(ii) Expenses

'000 AMD	Transaction value 2022	Transaction value 2021
Services received:		
Ultimate parent company – purchased internet traffic	296,459	489,291
Ultimate parent company – lease of network infrastructure and other expenses	4,516	1,740
Entities under common control – purchased internet traffic	24,517	23,451

(iii) Loans

'000 AMD	2022	2021
Ultimate parent company – outstanding loans	15,336,631	18,530,893
Ultimate parent company – amount loaned	2,287,050	-
Ultimate parent company – interest expense	719,076	925,942

(iv) Outstanding balances

(a) Trade and other payables

'000 AMD	2022	2021
Ultimate parent company – trade payables	244,757	33,008
Entities under common control– trade payables	171,599	2,288

(b) Trade and other receivables

'000 AMD	2022	2021
Ultimate parent company – trade receivables	271,637	23,220
Entities under common control – trade receivables	14,662	631

All outstanding balances with related parties other than loans received are to be settled in cash within six months of the reporting date. None of the balances are secured.

23. Basis of measurement

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

24. Significant accounting policies

A number of amendments to the existing standards are effective from 1 January 2022 but they do not have a material effect on the Bank's financial statements. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Revenue

Information about the Company's accounting policies relating to contracts with customers is provided in Note 5(d).

(b) Finance income and finance costs

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(c) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognised in profit or loss.

(d) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(e) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment except for dark fibers is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

The proceeds from sale of dark fibers are recognized in revenue because these transactions are in the course of the ordinary activities of the Company.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value.

Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, 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 of significant items of property, plant and equipment for the current and comparative periods are as follows:

– equipment	4-7 years
– transmitting devices	20 years
– vehicles	5-10 years
– other	3-10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(h) Intangible assets

The intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and impairment losses.

(i) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

(ii) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

– licenses	5-10 years
– number capacities	5 years
– business automation software	10 years
– other	5-10 years

(i) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Company analogizes to the guidance on the derecognition of financial liabilities.

The Company concludes that the modification is substantial as a result of the following qualitative factors:

– change the currency of the financial asset;
– change in collateral or other credit enhancement;
– change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Company applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Company recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBA key rate, if the loan contract entitles banks to do so and the Company have an option to either accept the revised rate or redeem the loan at par without penalty. The Company treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(vi) Cash and cash equivalents

Cash and cash equivalents comprise petty cash and bank balances. In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

(vii) Share capital

Ordinary shares are classified as equity.

(j) Impairment

(i) Non-derivative financial assets

Financial instruments

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost. Loss allowances for collectively assessed trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company’s non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(l) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities separately in the statement of financial position.

The Company has elected to apply a single discount rate to a portfolio of leases with similar characteristics. The Company has elected to apply portfolio accounting for leases with similar characteristics.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets, including renting access to street poles and for short-term leases, including leases of vehicle. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A lease term reflects the Company's reasonable estimate of the period during which the underlying asset will be used. In determining the lease term the Company bases its judgement on the broader economics of the contract and the underlying asset, rather than the contractual terms only and allows factors like economic penalties, legislative approach to renewal of the lease, forthcoming changes in regulation and the future business plans of the Company to be effectively captured in the estimate of the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

25. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

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

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

There will be no significant impact from adoption of the amendments on the Company's financial statements.

(b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of 2020 amendments to no earlier than 1 January 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application. The Company is closely monitoring the developments.

(c) Other standards

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- IFRS 17 *Insurance Contracts:* Initial Application of IFRS 17 and IFRS 9 – Comparative Information.