GNC-ALFA CJSC

Financial Statements for 2023

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 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material 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 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 Accounting 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

KPMG Armenia LLC
28 June 2024

«KPMG ARMENIA»
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Statement of Financial Position as at 31 December 2023

’000 AMD	Note	2023	2022
Assets			
Property and equipment	10	17,139,451	11,597,534
Intangible assets	11	763,826	189,699
Right of use asset	12	1,684,129	1,532,105
Deferred tax assets	9	204,446	262,140
Prepayments for non-current assets		1,544,532	4,024,934
Total non-current assets		**21,336,384**	**17,606,412**
Inventories		116,481	112,128
Trade and other receivables	13	2,273,291	1,350,741
Cash and cash equivalents	14	1,259,481	902,704
Total current assets		**3,649,253**	**2,365,573**
Total assets		**24,985,637**	**19,971,985**
Equity			
Share capital		1,000,000	1,000,000
Retained earnings/(accumulated losses)		3,117,537	(823,719)
Total equity	15	**4,117,537**	**176,281**
Liabilities			
Contract liabilities	17	902,803	1,020,673
Lease liability	12	1,688,967	1,464,848
Total non-current liabilities		**2,591,770**	**2,485,521**
Contract liabilities	17	448,914	342,677
Loans and borrowings from ultimate parent company	18	16,097,190	15,336,631
Lease liability	12	187,135	202,783
Current tax liability		177,007	222,030
Trade and other payables	19	1,366,084	1,206,062
Total current liabilities		**18,276,330**	**17,310,183**
Total liabilities		**20,868,100**	**19,795,704**
Total equity and liabilities		**24,985,637**	**19,971,985**

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 44.

Statement of Profit or Loss and Other Comprehensive Income for 2023

000 AMD	Note	2023	2022
Revenue	6	8,998,967	8,281,184
Other operating income		99,548	195,537
Purchase of internet		(771,432)	(1,146,508)
Network infrastructure costs		(288,938)	(279,636)
Interconnection charges		(27,004)	(34,909)
Cost of goods sold and services provided		(159,041)	(97,016)
Wages and other employee benefits		(1,700,647)	(1,352,932)
Depreciation and amortization		(1,896,808)	(1,922,452)
Repairs and maintenance		(221,114)	(199,556)
Other operating expenses	7	(1,490,329)	(1,092,822)
Impairment losses on trade receivables	20(b)	(78,788)	(103,504)
Results from operating activities		**2,464,414**	**2,247,386**
Finance income	8	38,291	192,399
Net foreign exchange gain	8	3,015,153	5,867,144
Finance costs	8	(1,166,443)	(998,627)
Net finance income		**1,887,001**	**5,060,916**
Profit before income tax		**4,351,415**	**7,308,302**
Income tax expense	9	(410,159)	(413,144)
Profit for the year		**3,941,256**	**6,895,158**

These financial statements were approved by management on 28 June 2024 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 44.

Statement of Changes in Equity for 2023

’000 AMD	**Share capital**	**Retained earnings/(accumulated losses)**	**Total**
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**
Balance at 1 January 2023	1,000,000	(823,719)	176,281
Total comprehensive income			
Profit for the year	-	3,941,256	3,941,256
Total comprehensive income for the year	**-**	**3,941,256**	**3,941,256**
Balance at 31 December 2023	**1,000,000**	**3,117,537**	**4,117,537**

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 44.

Statement of Cash Flows for 2023

'000 AMD	Note	2023	2022
Cash flow from operating activities			
Cash receipts from customers		10,649,996	9,512,822
Cash paid to suppliers and employees		(4,738,006)	(3,929,434)
Payments for taxes other than on income		(2,503,006)	(1,502,184)
Cash flows from operations before income taxes and interest paid		**3,408,984**	**4,081,204**
Current income tax paid		(397,488)	(285,417)
Interest paid	18, 12	(210,166)	(135,437)
Net cash flows from operating activities		**2,801,330**	**3,660,350**
Cash flows from investing activities			
Interest received		17,066	56,905
Borrowings given		(7,350)	(1,800)
Proceeds from sale of property and equipment		1,198	7,039
Acquisition of property and equipment		(4,731,726)	(5,657,076)
Acquisition of intangible assets		(393,682)	(216,842)
Net cash flows used in investing activities		**(5,114,494)**	**(5,811,774)**
Cash flows from financing activities			
Proceeds from borrowings	18	2,905,900	2,287,050
Conversion gain	18	-	135,494
Lease liability payments	12	(219,574)	(261,690)
Net cash flows from financing activities		**2,686,326**	**2,160,854**
Net increase in cash and cash equivalents		**373,162**	**9,430**
Effect of exchange rate fluctuations on cash and cash equivalents		(16,385)	(321,823)
Cash and cash equivalents as of 1 January		902,704	1,215,097
Cash and cash equivalents as of 31 December	14	**1,259,481**	**902,704**

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 44.

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 September 2023 the Azerbaijani forces started a new military operation leading to the fleeing of the Nagorno-Karabakh population to Armenia and leaving Azerbaijan in effective control of the territory. Nevertheless, the situation between Armenia and Azerbaijan continues to be tense due to ongoing disagreements regarding the delimitation of borders between Armenia and Azerbaijan.

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 23.

2. Basis of accounting

Statement of compliance

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

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 20 (b) (ii) – allowance for trade receivables;
- Note 6 (b) – determination of significant financing component on advances received under dark fiber sale IRU contracts;
- Note 26 (f) (iii) – useful lives of property 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 20 (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 20 (a) – fair values of financial assets and liabilities.

5. Changes in material accounting policies

Material accounting policy information

The Company adopted *Disclosure of Accounting Policies* (*Amendments to IAS 1* and *IFRS Practice Statement* 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 26 Material Accounting Policies (2022: Significant accounting policies) in certain instances in line with the amendments.

6. Revenue

(a) Revenue streams

’000 AMD	2023	2022
Revenue from contracts with the customers		
Revenue from services provided to retail customers	3,434,747	3,472,227
Broadband internet	1,217,192	1,023,097
Local data transfer services	1,074,276	1,020,625
IP transit internet services	683,035	636,742
International data transit services	655,665	390,918
Revenue from services provided to corporate customers	342,846	336,551
Revenue from dark fiber IRU contracts	236,869	236,867
Dark fiber maintenance	205,012	308,067
VoIP telephony services	120,129	116,474
Sales of goods	26,291	56,583
Revenue from interconnection services	20,107	21,659
Other services	236,255	95,678
Total revenue from contracts with the customers	**8,252,424**	**7,715,488**
Other revenue		
Lease of telecommunication equipment	655,203	474,125
Lease of dark fiber channels	91,340	91,571
Total other revenue	**746,543**	**565,696**
	8,998,967	**8,281,184**

(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	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Primary geographical markets						
Armenia	4,103,151	3,939,708	4,659,513	3,820,335	8,762,664	7,760,043
CIS countries	-	-	233,380	487,844	233,380	487,844
European countries	-	-	2,923	33,297	2,923	33,297
	4,103,151	**3,939,708**	**4,895,816**	**4,341,476**	**8,998,967**	**8,281,184**
Timing of revenue recognition						
Products transferred at a point in time	6,392	7,512	6,809	49,071	13,201	56,583
Products and services transferred over time	3,412,742	3,775,427	4,764,201	3,846,301	8,176,943	7,621,728
Revenue from contracts with customers	**3,419,134**	**3,782,939**	**4,771,010**	**3,895,372**	**8,190,144**	**7,678,311**
Other revenue	**683,600**	**493,320**	**125,223**	**109,553**	**808,823**	**602,873**
	4,102,734	**4,276,259**	**4,896,233**	**4,004,925**	**8,998,967**	**8,281,184**

(c) Contract balances

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

’000 AMD	Note	31 December 2023	31 December 2022
Receivables, which are included in ‘trade and other receivables’	13	1,409,722	1,234,946
Deferred revenue from dark fiber IRU contracts	17	1,020,673	1,125,399
Customer advances and deferred revenue	17	331,044	237,951

Contract liabilities comprise advance consideration received from dark fiber IRU contracts for which revenue is recognised over time during 8 years which is average remaining contract term (see Note 17) 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 236,867 thousand recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2023 (2022: AMD 236,867 thousand).

Remaining performance obligations under IRU contracts have a nominal value of AMD 1,467,786 thousand as at 31 December 2023 (2022: AMD 1,704,653 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 2023**	**31 December 2022**
Less than 1 year	117,870	104,726
1-2 years	130,138	117,870
2-5 years	512,985	454,401
More than 5 years	259,680	448,402
	1,020,673	**1,125,399**

No information is provided about remaining performance obligations at 31 December 2023 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 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.

7. Other operating expenses

'000 AMD	2023	2022
Advertising and marketing	456,128	248,013
Promotional activities	246,890	182,288
Utilities	170,975	129,284
Outsourced call center services	142,893	121,923
Charity	103,848	43,049
Taxes other than on income	58,345	42,749
Consulting and audit fees	37,839	11,789
Indirect production costs	34,752	30,537
Occupancy	30,421	43,953
Insurance costs	22,306	17,369
Fuel expenses	20,508	21,947
Representation expenses	15,957	15,637
State duties and fees	14,487	10,003
Communication expenses	11,276	9,143
Security expenses	10,448	10,090
Loss on disposal of non-current assets	226	58,773
Other	113,030	96,275
	1,490,329	**1,092,822**

8. Finance income and finance costs

'000 AMD	2023	2022
Interest income from on demand bank deposits	38,291	56,905
Conversion gain (Note 18)	-	135,494
Finance income	**38,291**	**192,399**
Interest expense on loans and borrowings and bank overdrafts	(824,134)	(719,084)
Interest expense on contract liabilities from dark fiber IRU contracts	(132,143)	(144,114)
Interest expense on lease liabilities	(210,166)	(135,429)
Finance costs	**(1,166,443)**	**(998,627)**
Net foreign exchange gain	3,015,153	5,867,144
Net finance income recognised in profit or loss	**1,887,001**	**5,060,916**

9. Income taxes

(a) Amounts recognised in profit or loss

The Company's applicable tax rate is the income tax rate of 18% for Armenian companies.

'000 AMD	**2023**	**2022**
Current tax expense	352,465	383,567
Origination and reversal of temporary differences	57,694	29,577
Total income tax expense	**410,159**	**413,144**

Reconciliation of effective tax rate:

	2023		**2022**	
	'000 AMD	**%**	**'000 AMD**	**%**
Profit before income tax	4,351,415	100.0%	7,308,302	100.0%
Tax at applicable tax rate	783,255	18.0%	1,315,494	18.0%
Non-taxable income	(373,096)	(8.6)%	(902,350)	(12.3)%
	410,159	**9.4%**	**413,144**	**5.7%**

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
'000 AMD	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Property and equipment	-	-	(190,162)	(113,851)	(190,162)	(113,851)
Intangible assets	27,382	48,593	-	-	27,382	48,593
Trade and other receivables	115,334	70,847	-	-	115,334	70,847
Contract liabilities	183,721	202,572	-	-	183,721	202,572
Trade and other payables	33,616	29,584	-	-	33,616	29,584
Right of use asset	-	-	(303,143)	(275,779)	(303,143)	(275,779)
Lease liability	337,698	300,174	-	-	337,698	300,174
Net tax assets	**697,751**	**651,770**	**(493,305)**	**(389,630)**	**204,446**	**262,140**

(c) Movement in temporary differences during the year

'000 AMD	1 January 2023	Recognised in profit or loss	31 December 2023
Property and equipment	(113,851)	(76,311)	(190,162)
Intangible assets	48,593	(21,211)	27,382
Trade and other receivables	70,847	44,487	115,334
Contract liabilities	202,572	(18,851)	183,721
Trade and other payables	29,584	4,032	33,616
Right of use asset	(275,779)	(27,364)	(303,143)
Lease liability	300,174	37,524	337,698
	262,140	**(57,694)**	**204,446**

'000 AMD	1 January 2022	Recognised in profit or loss	31 December 2022
Property 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
Right of use asset	(218,872)	(56,907)	(275,779)
Lease liability	235,807	64,367	300,174
	291,717	**(29,577)**	**262,140**

10. Property and equipment

'000 AMD	Equipment	Transmitting devices	Vehicles	Construction in progress	Other	Total
Cost						
Balance at 1 January 2022	12,737,017	12,551,694	375,934	246,959	227,804	26,139,408
Additions	726,175	806,319	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	**13,378,332**	**13,674,914**	**414,783**	**257,422**	**232,546**	**27,957,997**
Balance at 1 January 2023	13,378,332	13,674,914	414,783	257,422	232,546	27,957,997
Additions	3,938,425	1,018,680	84,123	1,852,094	40,846	6,934,168
Transfers	-	380,048	-	(380,048)	-	-
Disposals/Write offs	(15,208)	-	-	-	-	(15,208)
Balance at 31 December 2023	**17,301,549**	**15,073,642**	**498,906**	**1,729,468**	**273,392**	**34,876,957**
Depreciation						
Balance at 1 January 2022	(10,144,567)	(4,302,061)	(336,069)	-	(213,580)	(14,996,277)
Depreciation for the year	(623,552)	(731,932)	(32,908)	-	(1,747)	(1,390,139)
Disposals/Write offs	25,953	-	-	-	-	25,953
Balance at 31 December 2022	**(10,742,166)**	**(5,033,993)**	**(368,977)**	**-**	**(215,327)**	**(16,360,463)**
Balance at 1 January 2023	(10,742,166)	(5,033,993)	(368,977)	-	(215,327)	(16,360,463)
Depreciation for the year	(528,443)	(817,829)	(29,861)	-	(2,348)	(1,378,481)
Disposals/Write offs	1,438	-	-	-	-	1,438
Balance at 31 December 2023	**(11,269,171)**	**(5,851,822)**	**(398,838)**	**-**	**(217,675)**	**(17,737,506)**
Carrying amounts						
At 1 January 2022	**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**
At 31 December 2023	**6,032,378**	**9,221,820**	**100,068**	**1,729,468**	**55,717**	**17,139,451**

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

Construction in progress increased during the reporting period as a result of constructing of data processing center disclosed in Note 24 (a).

11. Intangible assets

'000 AMD	**Licenses and patents**	**Software**	**Capacity IRU**	**Other**	**Total**
Cost					
Balance at 1 January 2022	282,314	910,357	-	216,491	1,409,162
Additions	68,809	34,356	-	48,044	151,209
Balance at 31 December 2022	**351,123**	**944,713**	**-**	**264,535**	**1,560,371**
					-
Balance at 1 January 2023	351,123	944,713	-	264,535	1,560,371
Additions	145,070	44,322	417,871	204,290	811,553
Balance at 31 December 2023	**496,193**	**989,035**	**417,871**	**468,825**	**2,371,924**
Amortization					
Balance at 1 January 2022	(185,402)	(761,595)	-	(180,486)	(1,127,483)
Amortization for the year	(41,136)	(172,449)	-	(29,604)	(243,189)
Balance at 31 December 2022	**(226,538)**	**(934,044)**	**-**	**(210,090)**	**(1,370,672)**
Balance at 1 January 2023	(226,538)	(934,044)	-	(210,090)	(1,370,672)
Amortization for the year	(65,166)	(47,246)	(27,858)	(97,156)	(237,426)
Balance at 31 December 2023	**(291,704)**	**(981,290)**	**(27,858)**	**(307,246)**	**(1,608,098)**
Carrying amounts					
At 1 January 2022	**96,912**	**148,762**	**-**	**36,005**	**281,679**
At 31 December 2022	**124,585**	**10,669**	**-**	**54,445**	**189,699**
At 31 December 2023	**204,489**	**7,745**	**390,013**	**161,579**	**763,826**

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

12. 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, 3-9 years for service shops, 20 years for dark fibers, 9 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 2022	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)	(40,948)	(106,841)	(27,893)	(289,125)
Changes due to modification	4,503	48,160	241,615	270,883	373	565,534
Disposals	(31,584)	(32,561)	-	-	-	(64,145)
Balance at 31 December 2022	**417,354**	**200,836**	**287,924**	**286,588**	**339,403**	**1,532,105**
Additions to right-of-use assets	10,510	77,890	-	-	-	88,400
Depreciation charge for the year	(39,235)	(85,338)	(32,482)	(96,230)	(27,629)	(280,914)
Changes due to modification	43,618	258,269	58,929	-	15,813	376,629
Disposals	(3,750)	-	-	-	(28,341)	(32,091)
Balance at 31 December 2023	**428,497**	**451,657**	**314,371**	**190,358**	**299,246**	**1,684,129**

(ii) Amounts recognised in profit or loss

'000 AMD	2023	2022
Leases under IFRS 16		
Interest expense on lease liabilities	210,166	135,429
Depreciation of right of use assets	280,914	289,124
Expenses relating to short-term and low value leases	30,421	43,953

(iii) Amounts recognised in statement of cash flows

'000 AMD	2023	2022
Lease liability principal payments	219,574	261,690
Lease liability interest payments	210,166	135,429
Total cash outflow for leases	**429,740**	**397,119**

(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 2023	487,658	226,800	265,752	299,867	387,554	1,667,631
Changes from financing cash flows:						
Payment of lease liabilities – principal	(22,098)	(78,534)	(17,246)	(85,371)	(16,325)	(219,574)
Total changes from financing cash flow	**(22,098)**	**(78,534)**	**(17,246)**	**(85,371)**	**(16,325)**	**(219,574)**
Other changes:						
Lease additions	10,510	77,890	-	-	-	88,400
Changes due to modification	43,618	258,269	58,929	-	15,813	376,629
Disposals	(3,557)	-	-	-	(33,427)	(36,984)
Interest expense	63,255	34,376	40,354	30,429	41,752	210,166
Interest paid *	(63,255)	(34,376)	(40,354)	(30,429)	(41,752)	(210,166)
Total liability-related other changes	**50,571**	**336,159**	**58,929**	**-**	**(17,614)**	**428,045**
Balance at 31 December 2023	**516,131**	**484,425**	**307,435**	**214,496**	**353,615**	**1,876,102**

'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**

* 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 2023 was AMD 746,543 thousand (2022: AMD 565,696 thousand).

13. Trade and other receivables

’000 AMD	**2023**	**2022**
Trade receivables	1,736,867	1,522,859
Impairment allowance for trade receivables	(327,145)	(287,913)
Trade receivables included in amortised cost category	**1,409,722**	**1,234,946**
Value added tax recoverable	628,378	13,248
Prepayments given	176,328	70,079
Other receivables	58,863	32,468
	2,273,291	**1,350,741**

The Company’s exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 20.

14. Cash and cash equivalents

’000 AMD	**2023**	**2022**
Bank balances		
− rated from Ba1 to Ba3	71,799	401,849
− rated from B1 to B2	232,039	468,233
− not rated	929,996	14,628
Total bank balances	**1,233,834**	**884,710**
Short-term deposit	13,735	10,000
Cash in transit	11,912	7,994
Cash and cash equivalents in the statement of financial position and in the statement of cash flows	**1,259,481**	**902,704**

*Short-term deposit has maturity of up to 3 months, which is considered a cash equivalent by the Company.

Included in the not rated category as at 31 December 2023 are balances held with an Armenian bank of AMD 927,514 thousand (2022: AMD 21,277 thousand) which held B1 rating per Moody’s before withdrawal of rating of the bank.

The Company’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 20.

15. Capital and reserves

(a) Share capital

As at 31 December 2023 authorized, issued and outstanding share capital comprises 10,000 ordinary shares (2022: 10,000). All shares have a nominal value of AMD 100 thousand (2022: 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.

Distribution of dividends is prohibited if the amount of Company's net assets is less than the amount of the Company's share capital, or if the distribution of dividends will result in the Company's net assets falling below the amount of the Company's share capital.

The Company's distributable reserves are determined based on the Company's financial statements prepared in accordance with International Financial Reporting Standards.

No dividends were declared at the reporting date and during 2023 (2022: none).

16. 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.

17. Contract liabilities

'000 AMD	**2023**	**2022**
Non-current portion		
Deferred revenue from dark fiber IRU contracts	902,803	1,020,673
	902,803	**1,020,673**
Current portion		
Deferred revenue from dark fiber IRU contracts	117,870	104,726
Customer advances for other services	331,044	237,951
	448,914	**342,677**
	1,351,717	**1,363,350**

Deferred revenue from dark fiber IRU contracts represent the amount of up-front payments received for the services to be delivered during a period of 20 years (Note 6(c)).

18. 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 20.

'000 AMD	**2023**	**2022**
Current liabilities		
Loan from ultimate parent company	16,097,190	15,336,631
	16,097,190	**15,336,631**

The loan from ultimate parent company amounts to RUB 3,578 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.

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2023		**31 December 2022**	
'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	16,097,190	16,097,190	15,336,631	15,336,631
				16,097,190	**16,097,190**	**15,336,631**	**15,336,631**

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 3,578 million in the foreseeable future.

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

'000 AMD	Loans and borrowings	
	2023	**2022**
Balance at 1 January	15,336,631	18,530,893
Changes from financing cash flows		
Proceeds from borrowings	2,905,900	2,287,050
Other movement/conversion gain	-	(135,494)
Total changes from financing cash flows	**2,905,900**	**2,151,556**
The effect of changes in foreign exchange rates	**(2,969,475)**	**(6,064,894)**
Other changes		
Liability-related		
Interest expense	824,134	719,084
Interest paid	-	(8)
Total liability-related other changes	**824,134**	**719,076**
Balance at 31 December	**16,097,190**	**15,336,631**

19. Trade and other payables

'000 AMD	2023	2022
Trade payables	865,351	701,904
Payables for acquisition of property and equipment	8,051	28,928
Other payables	48,664	49,712
Total financial payables within current trade and other payables	**922,066**	**780,544**
Payables to employees	331,027	278,352
Taxes payable other than on income	112,991	147,166
Total trade and other payables	**1,366,084**	**1,206,062**

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 20.

20. 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 20 (b) (ii);
– liquidity risk – Note 20 (b) (iii);
– market risk – Note 20 (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**	
	2023	**2022**
Trade receivables	1,409,722	1,234,946
Cash and cash equivalents	1,259,481	902,704
	2,669,203	**2,137,650**

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 2023 and 31 December 2022, the exposure to credit risk for trade receivables by geographic region was as follows.

’000 AMD	**Carrying amount**	
	2023	**2022**
Domestic	855,275	962,206
Other CIS countries	554,237	272,510
Euro-zone countries	210	230
	1,409,722	**1,234,946**

At 31 December 2023 and 31 December 2022, the exposure to credit risk for trade receivables by type of counterparty was as follows.

’000 AMD	**Carrying amount**	
	2023	**2022**
Wholesale customers	619,418	385,258
End-user retail customers	395,427	389,356
End-user corporate customers	394,877	460,332
	1,409,722	**1,234,946**

The five largest customers of the Company account for AMD 637,396 thousand, or 45% of the trade receivables carrying amount at 31 December 2023 (2022: the five largest customers AMD 498,858 thousand or 40%).

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:

2023 **'000 AMD**	**Lifetime ECL not impaired**	**Lifetime ECL impaired**	**Total**
Gross carrying amount of corporate customers assessed individually – not rated	681,875	54,424	736,299
Gross corporate customers assessed individually	**681,875**	**54,424**	**736,299**
Expected credit losses	(15,988)	(54,424)	(70,412)
Net corporate customers assessed individually	**665,887**	**-**	**665,887**

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**

Management estimates that as at 31 December 2023 the unrated corporate trade receivables assessed individually AMD 685,874 thousand (2022: AMD 514,569 thousand) approximate rating of B1 to Ba3 under Moody'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 2023.

'000 AMD	**Gross corporate customers assessed collectively**	**Gross individual customers assessed collectively**	**Expected credit losses**	**Net carrying amount assessed collectively**	**Expected credit loss rates**
Not past due	296,867	390,347	(12,494)	674,721	2%
Past due 0 - 30 days	49,712	9,597	(11,813)	47,496	20%
Past due 31 - 60 days	21,208	5,870	(10,271)	16,807	38%
Past due 61 - 90 days	10,215	4,651	(10,055)	4,811	68%
Past due more than 90 days	177,992	34,109	(212,101)	-	100%
	555,994	**444,574**	**(256,734)**	**743,835**	**26%**

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	Net carrying amount assessed collectively	Expected credit loss rates
Not past due	292,178	385,951	(13,930)	664,199	2%
Past due 0 - 30 days	38,547	9,821	(10,311)	38,057	21%
Past due 31 - 60 days	21,394	5,895	(10,442)	16,847	38%
Past due 61 - 90 days	7,488	3,979	(7,784)	3,683	68%
Past due more than 90 days	160,727	32,439	(193,166)	-	100%
	520,334	**438,085**	**(235,633)**	**722,786**	**25%**

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	2023	2022
Balance at the beginning of the year	287,913	230,137
Impairment loss recognized	78,788	103,504
Amounts written off against trade receivables	(39,556)	(45,728)
Balance at the end of the year	**327,145**	**287,913**

Cash and cash equivalents

The Company held cash in transit and bank balances of AMD 1,259,481 thousand at 31 December 2023 (2022: AMD 902,704 thousand), which represents its maximum credit exposure on these assets. From total cash in transit and bank balances AMD 1,247,569 thousand (2022: AMD 871,054 thousand) are held with Armenian banks and payment organizations with credit rating of B1 to Ba3 under Moody’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 2023

'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	16,097,190	16,097,190	16,097,190	-	-	-	-
Trade and other payables	922,066	922,066	-	735,309	186,757	-	-
Lease liabilities	1,876,102	3,152,098	-	74,632	373,984	1,583,588	1,119,894
	18,895,358	**20,171,354**	**16,097,190**	**809,941**	**560,741**	**1,583,588**	**1,119,894**

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	780,544	780,544	-	616,189	164,355	-	-
Lease liabilities	1,667,631	2,844,978	-	68,050	319,568	1,148,656	1,308,704
	17,784,806	**18,962,153**	**15,336,631**	**684,239**	**483,923**	**1,148,656**	**1,308,704**

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 2023 (2022: RUB).

Exposure to currency risk

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

'000 AMD	USD-denominated 2023	EUR-denominated 2023	RUB-denominated 2023	USD-denominated 2022	EUR-denominated 2022	RUB-denominated 2022
Cash and cash equivalents	7,788	59,688	938,529	33,778	286,831	87,740
Trade receivables	399,699	188,426	1,373	229,621	84,020	1,420
Loans and borrowings	-	-	(16,097,190)	-	-	(15,336,631)
Trade payables	(546,457)	(6,441)	(129,132)	(289,567)	(8,384)	(4,185)
	(138,970)	**241,673**	**(15,286,420)**	**(26,168)**	**362,467**	**(15,251,656)**

The following significant exchange rates applied during the year:

in AMD	Average rate		Reporting date spot rate	
	2023	**2022**	**2023**	**2022**
USD 1	392.54	434.86	404.79	393.57
EUR 1	424.59	459.48	447.90	420.06
RUB 1	4.65	6.48	4.50	5.59

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 2023		
AMD 10% movement against USD	13,897	(13,897)
AMD 10% movement against EUR	(24,167)	24,167
AMD 10% movement against RUB	1,528,642	(1,528,642)
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)

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**	
	2023	**2022**
Fixed rate instruments		
Financial assets	1,167,798	485,236
Financial liabilities	(16,097,190)	(15,336,631)
	(14,929,392)	**(14,851,395)**

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.

21. Capital commitments

As at 31 December 2023 the total amount outstanding under the Company's contracts to purchase property and equipment is AMD 939,911 thousand (2022: AMD 2,205,491 thousand). These contracts mainly relate to project of constructing a 218 rack data center in Abovyan city, Armenia.

22. 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 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.

23. 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	**2023**	**2022**
Key management	**453,889**	**409,119**

(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 136,615 thousand (2022: AMD 143,567 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 81,717 thousand (2022: AMD 79,991 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 2023**	**Transaction value 2022**
Services provided:		
Ultimate parent company:		
− revenue from international data transit services	273,723	275,359
Entities under common control:		
− revenue from international data transit services and other income	639,820	203,918

(ii) Expenses

'000 AMD	Transaction value 2023	Transaction value 2022
Services received:		
Ultimate parent company – purchased internet traffic	212,713	296,459
Ultimate parent company – lease of network infrastructure and other expenses	54,109	4,516
Entities under common control – purchased internet traffic	22,600	24,517
Other expenses:		
Ultimate parent company	119,941	2,714

(iii) Loans

'000 AMD	2023	2022
Ultimate parent company – outstanding loans	16,097,190	15,336,631
Ultimate parent company – amount loaned	2,905,900	2,287,050
Ultimate parent company – interest expense	824,134	719,076

(iv) Outstanding balances

(a) Trade and other payables

'000 AMD	2023	2022
Ultimate parent company – trade payables	644,564	244,757
Entities under common control– trade payables	247,258	171,599

(b) Trade and other receivables

'000 AMD	2023	2022
Ultimate parent company – trade receivables	551,908	271,637
Entities under common control – trade receivables	1,234	14,662

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.

24. Subsequent events

(a) Launch of data center

In May 2024 the Company put into commercial operation the project of the largest and most powerful data processing center in Armenia in the city of Abovyan in the Kotayk region.

The data processing center will meet the diverse needs of businesses and government institutions and provide scalable, secure and efficient solutions, as well as contribute to the development of Armenia's digital future.

The capacity of the data processing center is 2 MW, it is connected to the RA power system with a 35 KW substation, and the construction of a second 110 KW substation is underway. 216 server cabinets are located in the data processing center.

(b) Rebranding

In May 2024 the Company announced the beginning of rebranding. The Company will henceforth operate under the new brand OVIO.

25. Basis of measurement

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

26. Material accounting policies

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 6 (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) Property and equipment

(i) Recognition and measurement

Items of property 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 and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment except for dark fibers is determined by comparing the proceeds from disposal with the carrying amount of property 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 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 and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property 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 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 and equipment for the current and comparative periods are as follows:

– telecom equipment	5-10 years
– transmitting devices	15-20 years
– vehicles	10 years
– other	15-20 years

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

(g) 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 and patents	3-6 years
– Software	8-10 years
– Capacity IRU	15 years
– other	3-5 years

(h) 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 – 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) 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.

(iv) 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.

(v) 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.

(vi) Share capital

Ordinary shares are classified as equity.

(i) 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.

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.

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.

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.

(j) 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'.

(k) Comparative information

During 2023 the management reassessed the grouping and categorization of intangible assets presented in Note 11 to achieve a more useful presentation. The comparative information was reclassified for consistency.

27. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

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

- Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Lack of Exchangeability (Amendments to IAS 21).