TELECOM Armenia OJSC

International Financial Reporting Standards Financial Statements and Independent Auditor's Report

31 December 2023

Contents

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

Independent Auditor's Report

To the Board of Directors and Shareholders of TELECOM Armenia OJSC:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of TELECOM Armenia OJSC (the "Company") as at 31 December 2023, and the Company's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Company's financial statements comprise:

- The statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Materiality	Overall Company materiality: AMD 244 million, which represents 2% of earnings before interest, tax, depreciation and amortization (the "EBITDA").
Key audit matters	Revenue recognition - accuracy and occurrence of revenue from mobile and fixed communication services

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	AMD 244 million
How we determined it	2% of the EBITDA. EBITDA is defined as profit before interest, tax, depreciation and amortisation.
Rationale for the materiality benchmark applied	We chose EBITDA as a primary benchmark because, in our view, it is a generally accepted benchmark commonly used by the users to measure the performance of the Company. We chose 2% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition - accuracy and occurrence of Revenue from mobile and fixed communication services	
Refer to Note 23 to the financial statements for the related disclosures. The total revenue from mobile and fixed communication services (comprising of voice, data exchange, internet, transit and other) of the Company for the year ended 31 December 2023 amounted to AMD 25,917 million (2022: AMD 27,393 million), comprising a high volume of relatively small transactions in combination with multiple pricing plans. This significant item in terms of its amount is subject to considerable inherent risk around the accuracy and occurrence of the revenue from mobile and fixed communication services recognised due to: • the complexity of the billing, processes and controls necessary for identifying and properly recording revenue from mobile and fixed communication services; and • the impact of constantly changing business and tariff models (including tariff plans, customer discounts and incentives). The magnitude as well as the complexity requires significant audit focus and effort with respect to the controls and substantive testing procedures to be performed to verify the accuracy and occurrence of revenue from mobile and fixed communication services. As such, we consider this as a key audit matter.	Our audit procedures incorporated sample-based testing of internal controls and executing substantive procedures, and among others included the following: • Evaluating and testing the IT environment in which subscriber billing and other relevant support systems reside, including the change management and restricted access procedures in place. • Testing the design and operational effectiveness of the internal controls in the revenue from mobile and fixed communication services and accounts receivables business process. • Sample-based testing of the end-to-end processing of the network captured activity of subscribers, from the mediation of subscriber activity to the billing systems and to the general ledger. • On a sample basis, testing manual corrections to the billing system by inspecting the related internal supporting documents and assessing their appropriateness under IFRS Accounting Standards. • Conducting sample-based tests to verify the accuracy of prepaid subscriber activity by assessing the nature of the services rendered and ensuring appropriate tariff application. • Verifying existence of subscribers by reviewing agreements. • Reconciling the consideration received for mobile services to the total amount of revenue recognized from mobile subscribers. • Generating independent subscriber events on the Company's network and reconciling these events with the billed and recorded amounts.

Other information

Management is responsible for the other information. The other information comprises Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Nino Kadagishvili.

Nino Kadagishvili

Director

Yerevan, Republic of Armenia

26 April 2024

PricewaterhouseCoopers Armenia LLC

TELECOM Armenia OJSC
Statement of Financial Position

In thousands of Armenian Drams	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	7	24,949,814	21,578,740
Investment property	8	6,205,118	5,927,067
Intangible assets	9	6,343,574	4,285,274
Prepayments for indefeasible right-of-use (IRU)	9	352,888	211,591
Leasehold improvements	10	1,069,659	1,196,571
Right-of-use assets	18	5,556,175	3,507,709
Prepayments for non-current assets	7	4,158,237	986,708
Loans issued	11	17,970,410	17,249,248
Deferred income tax assets	30	1,739,368	2,700,097
Deferred expenses		45,171	30,166
Other non-current assets	13	1,324,689	2,018,779
Total non-current assets		**69,715,103**	**59,691,950**
Current assets			
Inventories	12	882,002	608,905
Trade and other receivables	13	9,005,309	8,203,651
Current income tax prepayments	30	269,728	269,728
Other taxes receivable		194,460	69,573
Deferred expenses		44,726	45,608
Term deposit	14	1,371,537	823,885
Cash and cash equivalents	15	989,762	615,800
Non-current assets held for sale		-	60,070
Total current assets		**12,757,524**	**10,697,220**
TOTAL ASSETS		**82,472,627**	**70,389,170**
EQUITY			
Share capital	16	22,837,709	18,837,709
Share premium	16	4,240,000	-
Retained earnings		10,770,742	9,672,304
Reserve capital		3,425,656	2,825,656
TOTAL EQUITY		**41,274,107**	**31,335,669**
LIABILITIES			
Non-current liabilities			
Bank loans	17	17,177,719	17,465,550
Lease liabilities	18	4,514,453	3,166,781
Provisions for asset retirement obligations	20	1,563,669	1,405,246
Deferred income		22,507	28,277
Total non-current liabilities		**23,278,348**	**22,065,854**
Current liabilities			
Bank loans	17	1,819,436	868,767
Lease liabilities	18	1,811,652	1,067,167
Trade and other financial payables	21	8,402,202	8,523,257
Provisions for liabilities and charges	22	-	413,508
Deferred income		21,213	30,038
Payables to staff		1,084,329	981,842
Advances received	21	4,140,492	4,673,871
Other taxes payable		640,848	429,197
Total current liabilities		**17,920,172**	**16,987,647**
TOTAL LIABILITIES		**41,198,520**	**39,053,501**
TOTAL LIABILITIES AND EQUITY		**82,472,627**	**70,389,170**

Approved for issue and signed on 26 April 2024.

Hayk Yesayan
General Director

Karen Mnatsakanyan
Financial Director

Tatevik Gevorgyan
Chief Accountant

The accompanying notes on pages 5 to 44 are an integral part of these financial statements.

In thousands of Armenian Drams	Note	2023	2022
Revenue from mobile communication services	23	16,630,805	16,112,680
Revenue from fixed communication services	23	12,555,615	14,670,395
Revenue from sale of equipment	23	2,859,222	3,063,207
Other revenue	23	1,976,511	730,396
Total revenues		**34,022,153**	**34,576,678**
Cost of services provided	24	(19,661,497)	(19,722,491)
Cost of equipment sold	24	(2,774,162)	(2,907,845)
Total cost of sales		**(22,435,659)**	**(22,630,336)**
Gross profit		**11,586,494**	**11,946,342**
Net gain from fair value adjustment on investment property	8	152,207	5,427,831
Other operating income	25	1,541,825	2,002,531
General and administrative expenses	26	(4,600,032)	(4,232,133)
Distribution expenses	27	(3,323,955)	(3,287,590)
Other operating expenses	28	(544,204)	(1,099,780)
Net impairment losses/(reversals) on financial assets		617,576	(122,265)
Operating profit		**5,429,911**	**10,634,936**
Finance income	29	2,468,017	1,855,985
Finance costs	29	(2,475,663)	(1,540,089)
Foreign exchange losses less gains		(186,724)	(460,410)
Profit before income tax		**5,235,541**	**10,490,422**
Income tax expense	30	(708,822)	(1,813,122)
PROFIT FOR THE YEAR		**4,526,719**	**8,677,300**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,526,719**	**8,677,300**
Basic and diluted earnings per ordinary share ***(expressed in AMD per share)***	31	**21.72**	**46.06**

In thousands of Armenian Drams	Note	Share capital	Share premium	Retained earnings	Reserve capital	Total
Balance at 1 January 2022		**18,837,709**	**-**	**2,195,699**	**2,825,656**	**23,859,064**
Profit for 2022		-	-	8,677,300	-	8,677,300
Total comprehensive income for 2022		**-**	**-**	**8,677,300**	**-**	**8,677,300**
Effect of recognizing the receivables from the parent company	13	**-**	**-**	(889,764)	-	(889,764)
Effect of recognizing the loans issued to the parent company	11	-	-	(2,121,269)	-	(2,121,269)
Derecognition of financial guarantee	33		-	1,546,770	-	1,546,770
Deferred tax effect on transactions recognised in equity	30	-	-	263,567	-	263,567
Balance at 31 December 2022		**18,837,709**	**-**	**9,672,304**	**2,825,656**	**31,335,669**
Profit for 2023		-	-	4,526,719	-	4,526,719
Total comprehensive income for 2023		**-**	**-**	**4,526,719**	**-**	**4,526,719**
Discounting effect of trade receivables		-	-	(71,575)	-	(71,575)
Effect of modification of the loans issued to the parent company	11	-	-	3,762,617	-	3,762,617
Deferred tax effect on transactions reflected in equity	30	-	-	(251,908)	-	(251,908)
Issuance of ordinary shares	16	4,000,000	4,240,000	(267,417)	-	7,972,583
Dividends paid	16	-	-	(6,000,000)	-	(6,000,000)
Recognition of reserve capital		-	-	(600,000)	600,000	-
Balance at 31 December 2023		**22,837,709**	**4,240,000**	**10,770,742**	**3,425,656**	**41,274,107**

In thousands of Armenian Drams	Note	2023	2022
Cash flows from operating activities			
Cash received from customers		35,026,237	34,286,800
Interest received		118,898	44,125
Interest paid		(2,215,152)	(1,472,218)
Cash proceeds from rent		1,813,478	896,726
Cash proceeds from other operating activities		458,301	940,651
Cash paid to service providers		(12,240,275)	(10,831,434)
Cash paid to staff		(7,313,296)	(7,405,889)
Income taxes paid		-	(21,653)
Taxes other than on income tax paid		(4,386,416)	(4,501,253)
Cash paid to inventory suppliers		(2,950,048)	(3,694,049)
Cash paid for business trips		(32,844)	(52,447)
Cash paid for other operating activities		(175,819)	(7,790)
Net cash from operating activities		**8,103,064**	**8,181,569**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(15,037,971)	(10,225,279)
Proceeds from the sale of property, plant and equipment		1,612,291	1,874,723
Loans issued – repayments received	0	6,000,000	297,697
Loans issued to the parent company	0	-	(10,357,819)
Repayment of bank deposits		1,617,000	-
Placement of bank deposits		(2,159,459)	(822,000)
Net cash used in investing activities		**(7,968,139)**	**(19,232,678)**
Cash flows from financing activities			
Proceeds from loans	19	1,580,280	20,524,762
Repayments of loans	19	(1,579,400)	(8,786,288)
Dividends paid	16	(6,000,000)	-
Proceeds from issuance of ordinary shares		8,240,000	-
Lease principal repayments	19	(2,005,269)	(1,387,683)
Net cash from financing activities		**235,611**	**10,350,791**
Effect of exchange rate changes on cash and cash equivalents		3,426	(150,942)
Net change in cash and cash equivalents		**373,962**	**(851,260)**
Cash and cash equivalents at the beginning of the year	**15**	**615,800**	**1,467,060**
Cash and cash equivalents at the end of the year	**15**	**989,762**	**615,800**

1 TELECOM Armenia OJSC and its Operations

These financial statements have been prepared for the year ended 31 December 2023 for TELECOM Armenia OJSC (the "Company").

The Company was incorporated and is domiciled in the Republic of Armenia. The Company is an open joint stock company limited by shares and was set up in accordance with regulations of the Republic of Armenia.

The Company was originally established in 1995 as ArmenTel, a majority state owned enterprise with a decree to be the first and sole provider of integrated telecommunications services in the Republic of Armenia. In 2006, ArmenTel has become a wholly owned subsidiary of the international telecommunications company, VEON Ltd. (former VimpelCom Ltd, rebranded as VEON in 2017), renounced all its legal monopoly rights to service provision and fully integrated into its Beeline brand by 2008, beginning to operate as Beeline Armenia. In 2020, VEON divested out of Beeline Armenia, selling its entire stake to Team LLC. On 28 October 2020, 100% of the Company's shares were sold to TEAM LLC, which is a legal entity registered in the Republic of Armenia. On 16 November 2020 VEON Armenia CJSC was renamed to TELECOM Armenia CJSC. On 30 December 2021 TEAM LLC was reorganized to TEAM CJSC. On 11 April 2023 the Company was restructured from CJSC to OJSC. On 2 June 2023 the Company begin initial public offering (IPO) process in Armenian Stock Exchange and issued 40 million shares with a total value of 8 billion 240 million drams in the period from June 7 to 31 October 2023.

As of 31 December 2023 and 2022, the Company's immediate parent company was TEAM CJSC and the Company was ultimately controlled by brothers Hayk and Aleksander Yesayan.

Principal activity. Since May 2022 the Company operates under "Team" brand. The Company earns revenues by providing telecommunication services through a range of mobile and fixed-line technologies and selling customer equipment.

The Company is governed by the General Meeting of Shareholders, the Board of Directors and the Chief Executive Body of the Company represented by the General Director.

Registered address and place of business. The Company's registered address is #24/1 Azatutyan avenue, Yerevan 0014, Republic of Armenia. The Company's principal place of business is the territory of the Republic of Armenia.

2 Operating Environment of the Company

The Republic of Armenia displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations, refer to Note 32. The economic environment of the Republic of Armenia is significantly influenced by the level of business activity with the Russian Federation and significant cash movements flow from the Russian Federation to the Republic of Armenia. Therefore, a decline in business activity, stock market volatility and other risks experienced in the Russian Federation could have a flow-on negative effect on the financial and corporate sectors of the Republic of Armenia.

War between Russia and Ukraine. In general, the war is expected to have a pervasive impact on the global economy e.g., via growing commodity prices, potential shortages of oil/ gas/ coal, business disruptions etc. In the beginning of the war, the Company relied on components including network equipment and satellite connections and services sourced from countries involved in the conflict. Supply chains were disrupted, and the Company faced operational challenges especially in mobile equipment sector. In the middle of 2022, the Company has negotiated alternative logistic solutions. From roaming prospective the war has no material effect on agreements and partnerships between Armenian telecommunication providers and their counterparties in Russia, Ukraine, or other countries involved. The telecommunication sector is reliant on a stable and conducive business environment for investment and development. If the war causes regional instability, it may deter foreign investment and slow down the progress of infrastructure expansion, technological upgrades, and the introduction of new services in Armenia.

2 Operating Environment of the Company (Continued)

In 2023 the Armenian economy demonstrated positive dynamics. This trend was also supported by the global economic recovery and higher prices on global commodity markets. However, higher prices on certain markets in Armenia and globally also contribute to the inflation in Armenia.

The long-term effects of the current economic situation are difficult to predict, and management's current expectations and estimates could differ from the actual result.

Expected credit losses. For measurement of expected credit losses ("ECL") on the Company's loans, receivables, and similar assets the Company uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 33 provide more information of how the Company incorporated forward-looking information in the ECL models.

3 Basis of Preparation

Basis of preparation. These financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of investment properties, financial instruments categorised at fair value through profit or loss ("FVTPL"). The material accounting policies applied in the preparation of these financial statements are set out in each respective Note. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Going concern. Management prepared these financial statements on a going concern basis. In making this judgment management considered the Company's financial position, current intentions, profitability of operations and access to financial resources. The Company had an excess of current liabilities over its current assets of AMD 5,162,648 thousand as of 31 December 2023 (31 December 2022: AMD 6,290,427 thousand and 31 December 2021: 6,922,286 thousand). Cash-flow forecast for the next 12 months shows that the Company will be able to fulfil its payment obligations at their maturities and net operating cashflows are expected to be sufficient to cover the short term liquidity needs. The Company is in regular process of negotiations with suppliers to get better payment terms. These circumstances, along with other factors, such as current ratio continues improvement during last 3 years allow management to believe that the Company will continue as a going concern for foreseeable future and perform its financial obligations.

Foreign currency translation. The functional and presentation currency of the Company is the national currency of the Republic of Armenia, Armenian Dram ("AMD").

Monetary assets and liabilities are translated into functional currency at the official exchange rate of the Central Bank of the Republic of Armenia (the "CBA") at the respective end of the reporting period.

Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into entity's functional currency at year-end official exchange rates of the CBA are recognised in profit or loss. The foreign exchange effects from operating activity are separated and presented in Other operating income and Other operating expenses (Notes 25, 28), foreign exchange effects on the borrowings is recognised directly in the statement of profit or loss. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss. At 31 December 2023, the principal rate of exchange used for translating foreign currency balances was USD 1 = AMD 404.79, EUR 1 = AMD 447.90, RUB 1 = AMD 4.50, (2022: USD 1 = AMD 393.57, EUR 1 = AMD 420.06, RUB 1 = AMD 5.59).

3 Basis of Preparation (Continued)

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Amendment of the financial statements after issue. Any changes to these financial statements after issue require approval of the Company's management who authorised these financial statements for issue.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Tax legislation. Tax, currency and customs legislation of the Republic of Armenia is subject to varying interpretations. Refer to Note 32.

Initial recognition of related party transactions. In the normal course of business the Company enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 37. Effect of discounting of loans issued and long-term receivables is recognised in retained earnings and treated as non-cash capital distribution provided to the parent entity. Any further loans issued to the parent should be accounted as financial asset, provided there is contractual right to receive cash with clear maturity and the loans are issued at market level interest rates. All of those loans are subject to ECL assessment under IFRS 9. Financial guarantees provided to the parent were recognised as liabilities with the corresponding amount debited to retained earnings. Derecognition of financial guarantees was recognised as credit to retained earnings. Management applied judgement and treated those financial guarantees as equity distibutions and contributions respectively based on the substance of these trasactions.

ECL measurement. Measurement of ECLs of the loans issued is a significant estimate that involves determination methodology, models and data inputs. The following component have a major impact on credit loss allowance of the loans issued: probability of default. If the probability of default will be higher by 10% (2022:10%), the ECL on the loans issued will be higher by AMD 114,635 thousand (2022: AMD 243,436 thousand).

Valuation of investment properties. Investment property is stated at its fair value (stage 3) based on reports prepared by a valuation company at the end of the reporting period. The valuation of these properties was based principally on discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

In preparing the valuation reports on the Company's investment property, the external appraisers excluded distressed sales when considering comparable sales prices. Management has reviewed the appraisers' assumptions underlying the discounted cash flow models used in the valuation, and confirmed that factors such as the discount rate applied have been appropriately determined considering the market conditions at the end of the reporting period. Notwithstanding the above, management considers that the valuation of its investment properties is currently subject to an increased degree of judgement and an increased likelihood that actual proceeds on a sale may differ from the carrying value.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

The principal assumptions underlying the estimation of the fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Company, and those reported by the market.

The principal assumptions made and the impact on the aggregate valuations of reasonably possible changes in these assumptions, with all other variables held constant, are as follows:

The discount rate was assumed to be 10.59% (2022: 11.37%). Should this discount rate increase / decrease by 50 basis points (2022: 50), the carrying value of the investment property would be AMD 98,243 thousand lower / AMD 100,398 thousand higher (2022: AMD 89,252 thousand lower / AMD 91,169 thousand higher).

Useful lives of property, plant and equipment, and intangible assets, and their revision. Were the estimated useful lives of property, plant and equipment to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2023 would be to increase or decrease it by AMD 409,158 thousand (2022: AMD 480,649 thousand).

Were the estimated useful lives of intangible assets to differ by 10% from management's estimates, the impact on amortisation for the year ended 31 December 2023 would be to increase or decrease it by AMD 74,524 thousand (2022: AMD 82,911 thousand).

Were the estimated useful lives of leasehold improvements to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2023 would be to increase or decrease it by AMD 26,871 thousand (2022: AMD 30,937 thousand).

Were the estimated useful lives of right-of-use assets to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2023 would be to increase or decrease it by AMD 167,651 thousand (2022: AMD 114,661 thousand).

Segment reporting. The main activity of the Company is providing telecommunication services through a range of mobile and fixed-line technologies. Other activities include selling customer equipment, etc. and are inseparably connected with the main activity of the Company.

The Board of Directors (the "Management") of the Company is the "chief operating decision maker". Management assesses financial performance based on the key performance indicators of the whole Company. Management of the Company regularly reviews the operating results of the whole Company based on financial information prepared according to IFRS and makes decisions about resources to be allocated to business activities and assesses the Company's performance. Additionally, the means of controlling and assessing operating managers is carried out at the Company level. Their remuneration depends on the Company's key performance indicators being fulfilled.

As a result, the Company management views the whole Company as one operating segment.

5 Adoption of New or Revised Standards and Interpretations

The following new standards and the amendments became effective from 1 January 2023:

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity

5 Adoption of New or Revised Standards and Interpretations (Continued)

will be recognising the loss immediately.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- *Effective date:* The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- *Expected recovery of insurance acquisition cash flows:* An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- *Contractual service margin attributable to investment services:* Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an ‘investment-return service’ under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- *Reinsurance contracts held – recovery of losses:* When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- *Other amendments:* Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers’ transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information.

5 Adoption of New or Revised Standards and Interpretations (Continued)

The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

The application of the amendments had no significant impact on the Company's financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Group has not early adopted.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate. The Company did not identify material impact of this amendment.

6 New Accounting Pronouncements (Continued)

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Company did not identify material impact of this amendment.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024. The Company did not identify material impact of this amendment.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Company did not identify material impact of this amendment.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

7 Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Property, plant and equipment includes assets under construction for future use as property, plant and equipment.

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	20
Transmitting devices	20
Plant and equipment	6-10
Vehicles	5
Fixture and fittings	10
Other	6-10

7 Property, Plant and Equipment (Continued)

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of Armenian Drams	Land	Buildings and structures	Transmitting devices	Plant and equipment	Vehicles	Fixtures and fittings	Other	Construction in progress	Total
Cost									
Balance at 1 January 2022	**516,729**	**17,659,151**	**42,490,081**	**83,030,456**	**1,760,727**	**2,441,075**	**20,413**	**3,394,335**	**151,312,966**
Additions	60,919	859,214	1,078,540	1,656,281	442,740	601,184	-	5,638,010	10,336,888
Disposals	(888)	(32,520)	(10,777)	(1,561,632)	(71,583)	(317,419)	-	(1,031,211)	(3,026,030)
Transfers	-	492,825	1,278,397	1,932,677	-	8,631	-	(3,712,530)	-
Relassification to investment property	(49,589)	(4,266,792)	-	-	-	-	-	-	(4,316,380)
Reclassification to assets held for sale	(37,860)	(340,941)	-	-	-	-	-	-	(378,801)
Balance at 31 December 2022	**489,311**	**14,370,937**	**44,836,240**	**85,057,781**	**2,131,884**	**2,733,472**	**20,413**	**4,288,605**	**153,928,643**
Additions	44,707	392,323	1,686,689	1,694,291	161,162	220,313	-	4,134,819	8,334,304
Disposals	(21,344)	(89,730)	(292,656)	(1,716,514)	(59,789)	(125,744)	(55)	(415,351)	(2,721,183)
Transfers	-	241,140	1,319,530	790,434	-	2,409	-	(2,353,513)	-
Balance at 31 December 2023	**512,674**	**14,914,670**	**47,549,803**	**85,825,992**	**2,233,257**	**2,830,450**	**20,358**	**5,654,560**	**159,541,764**
Accumulated depreciation and impairment									
Balance at 1 January 2022	**-**	**(16,179,454)**	**(38,282,404)**	**(75,243,177)**	**(1,520,596)**	**(1,923,217)**	**(20,413)**	**-**	**(133,169,261)**
Depreciation charge for the year	-	(560,057)	(1,598,906)	(2,361,662)	(125,831)	(160,032)	-	-	(4,806,489)
Disposals	-	32,520	10,777	1,199,272	8,795	238,607	-	-	1,489,972
Relassification to investment property	-	3,817,144	-	-	-	-	-	-	3,817,144
Reclassification to assets held for sale	-	318,731	-	-	-	-	-	-	318,731
Balance at 31 December 2022	**-**	**(12,571,116)**	**(39,870,533)**	**(76,405,567)**	**(1,637,631)**	**(1,844,643)**	**(20,413)**	**-**	**(132,349,903)**
Depreciation charge for the year	-	(321,529)	(2,058,283)	(1,355,340)	(150,322)	(206,110)	-	-	(4,091,584)
Disposals	-	89,717	285,265	1,380,358	7,372	86,770	55	-	1,849,537
Balance at 31 December 2023	**-**	**(12,802,928)**	**(41,643,551)**	**(76,380,549)**	**(1,780,581)**	**(1,963,983)**	**(20,358)**	**-**	**(134,591,950)**
Carrying amount									
At 31 December 2021	**516,729**	**1,479,697**	**4,207,676**	**7,787,279**	**240,131**	**517,858**	**-**	**3,394,335**	**18,143,705**
At 31 December 2022	**489,311**	**1,799,821**	**4,965,707**	**8,652,214**	**494,252**	**888,829**	**-**	**4,288,605**	**21,578,740**
At 31 December 2023	**512,674**	**2,111,742**	**5,906,252**	**9,445,443**	**452,676**	**866,467**	**-**	**5,654,560**	**24,949,814**

Out of the total depreciation charge of AMD 4,091,584 thousand for the year ended 31 December 2023 (2022: AMD 4,806,489 thousand), AMD 3,921,913 thousand is charged to cost of services provided (2022: AMD 4,486,449 thousand), refer to Note 24, AMD 169,671 thousand is charged to general and administrative expenses (2022: AMD 320,134 thousand), refer to Note 26.

Construction in progress consists of capital expenditure on telecommunication and other equipment.

Prepayments for non-current assets, which mainly relates to purchase of new billing software and transmitting devices, as of 31 December 2023 amounted to AMD 4,158,237 thousand (2022: AMD 986,708 thousand). Material balances were used during the year and new advances were transferred for the new projects.

As of 31 December 2023 buildings, land, structures and transmitting devices carried at AMD 5,348,637 thousand (2022: AMD 3,987,644 thousand) have been pledged to third parties as collateral for borrowings. Refer to Note 32.

8 Investment Property

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period.

Market value of the Company's investment property is determined based on reports of independent appraisers, who hold recognised and relevant professional qualifications and who have recent experience in the valuation of property in the same location and category.

In thousands of Armenian Drams		2023	2022
Investment properties at fair value at 1 January		**5,927,067**	**-**
Expenditure on subsequent improvements		125,844	-
Transfer from owner occupied premises	7	-	499,236
Fair value gains less losses		152,207	5,427,831
Investment properties at fair value at 31 December		**6,205,118**	**5,927,067**

Investment property includes building located at 24/1 Azatutyan Street, Yerevan, Republic of Armenia. During the year ended 31 December 2022 management changed the intention about use of the building and started renting it out to several tenants.

The investment property is valued annually on 31 December at fair value, by an independent, professionally qualified valuator who has recent experience in valuing similar properties in Armenia. Refer to Note 35 for further information about the fair value measurement.

Direct operating expenses recognised in profit or loss includes AMD 427,706 thousand (2022: AMD 314,230 thousand) relating to investment property that generated rental income.

Direct operating expenses recognised in profit or loss include AMD 152,756 thousand (2022: AMD 104,951 thousand) relating to investment property that did not generate rental income.

Whole investment property is fully completed and in use at the end of the reporting period.

At 31 December 2022 and 2023, whole investment property has been pledged to third parties as collateral with respect to borrowings. Refer to Note 32. Where the Company is the lessor, the future minimum lease payments receivable under operating leases of investment properties are as follows:

In thousands of AMD	2023	2022
1 year	1,548,821	1,771,039
2 year	1,468,495	1,154,942
Total undiscounted operating lease payments receivable at 31 December	**3,017,316**	**2,925,981**

Rental income from investment properties for 2023 was AMD 1,675,204 thousand (2022: AMD 638,692 thousand).

9 Intangible Assets and Prepayments for Indefeasible Right-of-use (IRU)

The Company's intangible assets have definite useful lives and primarily include capitalised computer software and licences.

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives in years
Computer Software	9.5
Licences	Over the term of the licence, but not more than 10
Other intangible assets	9.5

Movements in the carrying amount of intangible assets were as follows:

In thousands of Armenian Drams	**Computer software**	**Licences**	**Other**	**IA under development**	**Total**
Cost					
Balance at 1 January 2022	**11,437,236**	**17,412,433**	**601,529**	**-**	**29,451,198**
Additions	796,630	323,986	255	82,626	1,203,497
Disposals	(212,719)	(28,251)	(1)	-	(240,971)
Balance at 31 December 2022	**12,021,147**	**17,708,168**	**601,783**	**82,626**	**30,413,724**
Additions	144,190	1,756,376	572,067	349,134	2,821,767
Disposals	(13,269)	(44,037)	(9,380)	-	(66,686)
Balance at 31 December 2023	**12,152,068**	**19,420,507**	**1,164,470**	**431,760**	**33,168,805**
Accumulated amortisation and impairment					
Balance at 1 January 2022	**(10,873,103)**	**(14,310,958)**	**(348,780)**	**-**	**(25,532,841)**
Amortisation for the year	(101,437)	(690,086)	(37,586)	-	(829,107)
Disposals	206,251	27,246	1	-	233,498
Balance at 31 December 2022	**(10,768,288)**	**(14,973,798)**	**(386,365)**	**-**	**(26,128,450)**
Amortisation for the year	(171,521)	(505,905)	(67,810)	-	(745,236)
Disposals	779	38,308	9,368	-	48,455
Balance at 31 December 2023	**(10,939,030)**	**(15,441,395)**	**(444,805)**	**-**	**(26,825,231)**
Carrying amount					
At 31 December 2021	**564,133**	**3,101,475**	**252,749**	**-**	**3,918,357**
At 31 December 2022	**1,252,859**	**2,734,370**	**215,418**	**82,626**	**4,285,274**
At 31 December 2023	**1,213,038**	**3,979,112**	**719,665**	**431,760**	**6,343,574**

Licences icludes mainly GSM licenses, licenses to connect to certain frequences and others.

The total amortisation charge of AMD 745,236 thousand for the year ended 31 December 2023 (2022: AMD 829,107 thousand) is charged to cost of services provided (2022: AMD 829,107 thousand), refer to Note 24.

The Company's prepayments under IRU contracts are prepayments under contracts for a certain transmission capacity portion of the cable. The Company's share does not represent substantially all of the capacity of the network or any component part. The Company does not obtain the right to use any identified network assets instead, it is entitled to certain share of planned capacity. The contracts are signed for 3 and 15 years.

9 Intangible Assets and Prepayments for indefeasible right-of-use (IRU) (Continued)

Movements in prepayments under IRU contracts are as follows:

In thousands of Armenian Drams	2023	2022
Carrying value at 1 January	**211,591**	**303,932**
Additions	272,717	37,506
Prepayments derecognised on receipt of related IRU services	(131,420)	(129,847)
Total prepayments at 31 December	**352,888**	**211,591**

The Company entered into a Revenue Sharing Agreements. Under this framework agreements, the Company and the counterparties share optical cable. The agreements allow the Company to enter into IRU through Service Order Forms (SOF). The Company acquires a contract which secures its usage of capacity for 3 and 15 year period – such prepayments are presented in these financial statements as prepayments for IRU contracts.

10 Leasehold Improvements

Leasehold improvements are depreciated shorter of useful life and the term of underlying asset.

In thousands of Armenian Drams	Leasehold improvements
Cost	
Balance at 1 January 2022	**5,959,840**
Additions	203,910
Disposals	(2,254)
Balance at 31 December 2022	**6,161,496**
Additions	142,653
Disposals	(16,411)
Balance at 31 December 2023	**6,287,738**
Accumulated depreciation and impairment	
Balance at 1 January 2022	**(4,655,555)**
Depreciation for the year	(309,370)
Balance at 31 December 2022	**(4,964,925)**
Depreciation for the year	(268,706)
Disposals	15,552
Balance at 31 December 2023	**(5,218,079)**
Carrying amount	
At 31 December 2021	**1,304,285**
At 31 December 2022	**1,196,571**
At 31 December 2023	**1,069,659**

Out of the total depreciation charge of AMD 268,706 thousand for the year ended 31 December 2023 (2022: AMD 309,370 thousand), AMD 202,228 thousand is charged to cost of services provided (2022: AMD 206,176 thousand), refer to Note 24, AMD 66,478 thousand is charged to general and administrative expenses (2022: AMD 103,194 thousand), refer to Note 26.

11 Loans Issued

Loans issued classified at FVTPL are initially recorded at fair value. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for loans issued measured at AC, resulting in an immediate accounting loss.

The Company's loans issued are denominated in currencies as follows:

In thousands of Armenian Drams		**31 December 2023**	**31 December 2022**
Loans issued denominated in:	- US Dollars	17,885,836	17,568,700
	- Armenian Drams	348,263	461,550
Total loans issued – before the credit loss allowance		**18,234,099**	**18,030,250**
Less credit loss allowance		(263,689)	(781,003)
Total loans issued		**17,970,410**	**17,249,248**

As of 31 December 2023 and 31 December 2022, all loans were issued to the immediate parent company under several loan agreements. Loans were issued from 12 November 2020 to 14 June 2022 and the contracts maturity dates are from March 2026 to December 2029, depending on the agreement. Several loans were provided interest-free or 5.6%+6m SOFR (the secured overnight financing rate administered by the Federal Reserve Bank of New York (or any other person which takes over the administration of that rate) published by the Federal Reserve Bank of New York (or any other person which takes over the publication of that rate), which is below market rate, therefore the difference between cash payments and respective fair value at initial recognition was recognised in the statement of changes in equity. The total effect of the fair value adjustment at the recognition of loans provided during 2022 amounted to AMD 2,121,267 thousand. Average effective rate as of 31 December 2022 is 9.5%. In 2023, the Company and immediate parent signed the series of amendments, according to which interest rate for all issued loans were changed from interest free or fixed interest to 5.6%+6m SOFR applicable from beginning of year 2023. Because of substantial modification of loans, the Company derecognised the original issued loans and recognised new ones. Effect of modification, i.e. the difference between the carrying amount of the original issued loans and the respective contract values, was recognised in the statement of changes in equity, consistent to the treatment for the similar transactions adopted by the Company in the past, as in promenading paragraph.

Expected credit loss allowance for the loans issued is equal to AMD 263,689 thousand as at 31 December 2023 (2022: AMD 781,003 thousand) (Note 33). Critical judgements for this estimate are disclosed in the Note 4. The carrying amounts of the loans issued together with expected credit loss allowance do not materially differ from their fair values.

The table below sets out the movements in the Company's loans issued for each of the periods presented. Reclassification to advances to suppliers represents the amount that was agreed to recognise as a prepayment for future services by the Company and by its parent.

11 Loans issued (Continued)

In thousands of Armenian Drams	Loans at gross amount	Expected credit loss allowance	Loans at net amount
Loans issued at 1 January 2023	**18,030,250**	**(781,002)**	**17,249,248**
Cash flows			
Repayments of principal	(6,000,000)	-	(6,000,000)
Non-cash changes			
Interest accrual	2,068,557	-	2,068,557
Re-measurement of ECL	-	517,312	517,312
Modification of loans (through equity)	3,762,617	-	3,762,617
Foreign exchange adjustments	372,676	-	372,676
Loans issued at 31 December 2023	**18,234,100**	**(263,690)**	**17,970,410**

In thousands of Armenian Drams	Loans at gross amount	Expected credit loss allowance	Loans at net amount
Loans issued at 1 January 2022	**11,799,615**	**(844,253)**	**10,955,362**
Cash flows			
Provided loans	10,357,819	-	10,357,819
Repayments of principal	(297,697)	-	(297,697)
Non-cash changes			
Interest accrual	802,618	-	802,618
Remeasurement of ECL	-	63,251	63,251
Discounting of loans (through equity)	(2,121,269)	-	(2,121,269)
Unwinding of discount	458,578	-	458,578
Foreign exchange adjustments	(2,184,168)	-	(2,184,168)
Reclassification to advances to suppliers	(785,246)	-	(785,246)
Loans issued at 31 December 2022	**18,030,250**	**(781,002)**	**17,249,248**

12 Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the first in, first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs to sell.

In thousands of Armenian Drams	2023	2022
Materials and spare parts	779,649	693,462
Goods for resale	616,320	483,083
Fuel	98,899	92,141
Cards	33,726	22,289
Other	77,556	71,936
Inventory allowance for slow-moving inventory	(724,148)	(754,006)
Total inventories	**882,002**	**608,905**

13 Trade and Other Receivables and Other Non-current Assets

Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

In thousands of Armenian Drams	**2023**	**2022**
Trade receivables - Subscribers	5,321,653	5,230,034
Trade receivables - Interconnect	508,299	804,087
Trade receivables - Roaming	920,553	704,200
Trade receivables - Dealers	144,552	112,571
Trade receivables - Other trade	1,874,631	1,744,409
Less credit loss allowance	(1,965,239)	(2,355,283)
Total financial assets within trade receivables	**6,804,449**	**6,240,018**
Advances to suppliers	2,123,743	1,825,526
Prepaid expenses	77,117	103,678
Other current assets	-	34,429
Total non-financial assets within other receivables	**2,200,860**	**1,963,633**
Total trade and other receivables	**9,005,309**	**8,203,651**

Expected Credit Loss (the "ECL"). The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC. The Company measures ECL and recognises net impairment losses on financial assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade and other receivables and loans issued are presented in the statement of financial position net of the allowance for ECL.

The Company applies the simplified approach (i.e. provision matrix) for calculating a lifetime ECL for its trade and other receivables, including unbilled receivables. The provision matrix is based on the historical credit loss experience over the life of the trade receivables and is adjusted for forward-looking estimates. Forward looking estimates include macro-economic factors such as GDP and unemployment rates of Armenia. The Company does not apply such forward-looking adjustment to its default rates to the extent that these macro-economic factors remain uncorrelated to the historical loss rates. The provision matrix is reviewed on a quarterly basis.

For other financial assets, the Company applies a significant increase in the credit risk model. Impairment losses are presented in the other operating expenses line item in the statement of profit or loss.

Where fines, penalties and interest for the accounts receivable are accrued, impairment loss provision includes these as well. ECL rates for the provision matrix are revised quarterly based on the collectability of the accounts receivable and forward-looking information.

The following table explains the changes in the credit loss allowance for trade receivables under simplified ECL model between the beginning and the end of the annual period:

13 Trade and Other Receivables and Other Non-current Assets (Continued)

In thousands of Armenian Drams	2023 Trade receivables	2022 Trade receivables
Allowance for credit losses at 1 January	**2,355,283**	**2,189,262**
New originated	(95,520)	20,357
Total credit loss allowance charge in profit or loss for the period	(95,520)	20,357
Amounts (written off)/subsequently recovereed	(294,524)	145,664
Allowance for credit losses at 31 December	**1,965,239**	**2,355,283**

The credit loss allowance for trade receivables is determined according to provision matrix presented in the table below. The provision matrix is based the number of days that an asset is past due, adjusted for GDP growth and unemployment rate movement of Armenia. The provision matrix as at 31 December 2023 is presented below:

In thousands of Armenian Drams	Current-not past due	1-30 days past due	31-60 days past due	61-90 days past due	91-120 days past due	Over 121 days past due	Total
Trade receivables, gross	6,382,360	342,048	281,033	110,674	87,983	1,565,590	8,769,688
Expected loss rate, %	1%	20%	43%	65%	86%	100%	
Expected credit losses	(60,673)	(70,064)	(121,948)	(71,472)	(75,492)	(1,565,590)	(1,965,239)
Total trade receivables, net	**6,321,687**	**271,984**	**159,085**	**39,202**	**12,491**	**-**	**6,804,449**

In 2023 the Company provided internet traffic services to one of the customers with receivables in total amount of AMD 2,371,128 thousand (2022: AMD 2,699,790 thousand). Amounts of receivables are included in current-not past due part of Trade receivables in the table above.

The provision matrix as at 31 December 2022 is presented below:

In thousands of Armenian Drams	Current-not past due	1-30 days past due	31-60 days past due	61-90 days past due	91-120 days past due	Over 121 days past due	Total
Trade receivables, gross	5,996,910	247,281	124,872	100,862	87,328	2,038,048	8,595,301
Expected loss rate, %	1%	15%	47%	68%	81%	100%	
Expected credit losses	(82,910)	(36,951)	(58,079)	(68,803)	(70,492)	(2,038,048)	(2,355,283)
Total trade receivables, net	**5,914,000**	**210,330**	**66,793**	**32,059**	**16,836**	**-**	**6,240,018**

Trade and other financial receivables of AMD 3,573,952 thousand (2022: AMD 3,650,734 thousand) are denominated in foreign currency out of which 55% in US Dollars (2022: 82%), 7% in Special Drawing Rights-SDR (2022: 8%), 37% in Euros (2022: 8%) and 1% in GBP (2022: 1%).

13 Trade and Other Receivables and Other Non-current Assets (Continued)

As at 31 December 2023 and 31 December 2022 other non-current assets are presented below:

In thousands of Armenian Drams	**2023**	**2022**
Long-term trade receivables	1,696,719	3,073,703
Effect of recognizing the receivables from the parent at fair value	(237,432)	(889,764)
Payment	(64,824)	-
Less credit loss allowance	(69,774)	(165,160)
Total non-current assets	**1,324,689**	**2,018,779**

Based on the trilateral agreement, signed on 8 September 2022, the wholesale internet service traffic customer transferred its obligations towards the Company to Team CJSC in the amount of advance payment which should be refunded by Team CJSC.

All parties agreed on the terms that Team CJSC undertakes to refund (return) the advanced payment to the customer taking the obligation of customer's payment towards the Company in the amount of USD 2,646 thousand equal to AMD 1,070,294 thousand, for the services provided by the Company. The Company will accept the payment performed by Team CJSC as repayment of the part of wholesale internet traffic customer's obligations under the Master Service agreement signed with the Company. On 1 September 2022 the Company and the Parent company agreed on deferring the payments in the amount of AMD 1,070,293 thousand to be paid in four installments starting from 1 June 2023 to 31 March 2026.

In 2020 the Parent company received investment advisory services related to the purchase of 100% of shares of the Company. The price paid for the delivery of advisory services provided by the third party was AMD 1,960,000 thousand without VAT. On 30 October 2020, the service fee was recognised in General and administrative expenses as professional service in the same amount set above. The balance was fully paid by the Company.

In 2022 the Company reassessed the nature of the transaction and considered that the ultimate beneficiary of investment advisory services is the Parent company and the expense was recharged to the Parent company with the same amount. On 29 April 2022 based on the issued invoice by the Company the fee was recognised as Other income from recharging to the Parent in AMD 1,960,000 thousand without VAT (Note 25).

On 2 May 2022, the Parent company and Telecom Armenia CJSC agreed on deferring the payments in the amount of AMD 2,350,000 thousand to be paid in four equal installments starting from November 2023 to November 2026.

In 2023 by the Parent company has made partial payment and new ammendments were signed for deffering the payments from 2024 to 2026.

14 Term Deposit

Term Deposits are carried at AC using the effective interest method.

The Company has entered into deposit agreements with local bank in amount of AMD 1,328,000 thousand (2022: AMD 822,000 thousand) provided in local currency which have original maturity from September 2024 to January 2025 and interest rate 8.75% and 9.25% (2022: 9.3%) which should be repaid on a monthly basis. Bank deposit balances are neither past due nor impaired. The credit quality of term deposits based on credit risk grades as at 31 December 2023 is B+ (S&P Global Ratings).

15 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC using the effective interest method.

15 Cash and Cash Equivalents (Continued)

In thousands of Armenian Drams	31 December 2023	31 December 2022
Bank balances payable on demand	876,744	511,173
Cash in transit	86,447	80,908
Cash on hand	26,571	23,719
Total cash and cash equivalents	**989,762**	**615,800**

The table below discloses the credit quality of bank balances based on credit risk grades at 31 December 2023 and 31 December 2022. Cash and cash equivalents are neither past due nor impaired and ECL is insignificant.

In thousands of Armenian Drams	31 December 2023	31 December 2022
S&P Global Ratings B+	742,589	487,329
Not rated	134,155	23,844
Total bank balances	**876,744**	**511,173**

16 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

In thousands of Armenian Drams	Number of outstanding shares	Ordinary shares	Share premium	Total share capital
At 1 January 2022	**188,377,090**	**0.100**	**-**	**18,837,709**
At 31 December 2022	**188,377,090**	**0.100**	**-**	**18,837,709**
New shares issued	40,000,000	0.100	0.106	**4,000,000**
At 31 December 2023	**228,377,090**	**0.100**	**0.106**	**22,837,709**

The total authorised number of ordinary shares is 228,377 thousand shares (2022: 188,377 thousand shares) with a par value of AMD 100 per share (2022: AMD 100 per share).There are 2 classes of shares A and B. Class A has 1 voting right per 1 share and Class B 1 voting right per 10 shares. All issued ordinary shares are fully paid.

Each shareholder, owner of ordinary shares in the Company, shall be entitled:

- to participate in the general meeting of shareholders with the voting right concerning all issues accordingly to its fully paid-up voting shares,
- to receive dividends,
- to receive their respective share of property in case of Company liquidation,
- in case of increase of the share capital pursuant to the capitalization of the Company's profits, reserves and/or assets prescribed in the Law, to receive free-of-charge newly issued shares, pro rata to their participation in the share capital at that time.

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Legislation of the RA identifies the basis of distribution as the current year net profit.

16 Share Capital (Continued)

Dividends declared and paid during the year were as follows:

In thousands of Armenian Drams	2023 Ordinary	2022 Ordinary
Dividends payable at 1 January	-	-
Dividends declared during the year	6,000,000	-
Dividends paid during the year	(6,000,000)	-
Dividends payable at 31 December	**-**	**-**
Dividends per share declared during the year	**0,032**	

All dividends are declared in June and paid in July-September 2023.

17 Bank Loans

The Company recognises bank loans at FVTPL at initial recognition and subsequently measured at AC, except for financial guarantee contracts. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in OCI and is not subsequently reclassified to profit or loss.
The Company's borrowings are denominated in currencies as follows:

In thousands of Armenian Drams	31 December 2023	31 December 2022
Borrowings denominated in:		
- US Dollars	18,997,155	18,334,317
Total borrowings	**18,997,155**	**18,334,317**

The Company does not apply hedge accounting in respect of its foreign currency obligations or interest rate exposures. The carrying amounts and fair values of borrowings are as follows:

	Carrying amounts		Fair values	
In thousands of Armenian Drams	2023	2022	2023	2022
Bank loan with maturity June 2029 and interest rate SOFR+5.6%	18,309,410	17,792,270	18,182,365	17,547,177
Bank loan with maturity June 2023 and interest rate SOFR+5.6%	-	787,140	-	787,140
Revolving credit line with renewal of every 6 months with interest rate SOFR+5.6%	814,790	-	814,790	-
Total borrowings at 31 December	**19,124,200**	**18,579,410**	**18,997,155**	**18,334,317**

On 26 May 2022 Company signed USD nominated senior term loan agreements with maturity of 7 years in total amount of AMD 18,301,042 thousand (USD 45,000,000) with European Bank for Reconstruction and Development, International Finance Corporation, Ameriabank CJSC to refinance the Company's existing debt – largely resulting from its leveraged acquisition by TEAM CSJC, and to finance Company's growth capex plan. There will be 14 half-yearly interest repayments after 31 December 2022.

17 Bank loans (Continued)

As of 31 December 2023 the Company pledged buildings with net book value AMD 5,348,637 thousand (2022: AMD 3,987,644 thousand) as a security for the loans with AMD 18,215,550 (2022: AMD 17,792,270) outstanding balance as of that date.

Compliance with covenants. The Company had to comply with certain covenants stipulated in the Loan contracts. As of 31 December 2023 and as of 31 December 2022, the Company was in compliance with covenants.

18 Rights-of-use Assets and Lease Liabilities

Right-of-use assets. Lease contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Right-of-use assets are measured at cost.
Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

Right-of-use asset	Useful lives in years
Land	8
Buildings, offices, shops	3 - 8
Equipment	3 - 8

Lease liabilities. Liabilities arising from a lease are initially measured on a present value basis.

Extension and termination options are included in a number of leases across the Company. These terms are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Generally, the lease payments are discounted using the Company's incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

The Company leases various offices and technical territories in land and buildings. Lease contracts are typically made for fixed periods of one to ten years.

In thousands of Armenian Drams	**Land**	**Buildings, offices and shops**	**Equipment**	**Total**
Carrying amount at 1 January 2022	**416,938**	**3,054,480**	**-**	**3,471,418**
Additions	342,810	895,373	-	**1,238,183**
Disposals	(12,049)	(43,236)	-	**(55,285)**
Depreciation charge	(115,626)	(1,030,981)	-	**(1,146,607)**
Carrying amount at 31 December 2022	**632,073**	**2,875,636**	**-**	**3,507,709**
Additions	10,834	2,729,826	1,316,642	**4,057,302**
Disposals	(4,727)	(217,751)	(109,848)	**(332,326)**
Depreciation charge	(124,994)	(1,425,761)	(125,755)	**(1,676,510)**
Carrying amount at 31 December 2023	**513,186**	**3,961,950**	**1,081,039**	**5,556,175**

18 Rights-of-use Assets and Lease Liabilities (Continued)

The Company recognized lease liabilities as follows:

In thousands of Armenian drams	31 December 2023	31 December 2022
Short-term lease liabilities	1,811,652	1,067,167
Long-term lease liabilities	4,514,453	3,166,781
Total lease liabilities	**6,326,105**	**4,233,948**

Interest expense included in finance costs of 2023 was AMD 679,371 thousand (2022: AMD 458,194 thousand). Total cash outflow for leases in 2023 was AMD 2,241,500 thousand (2022: AMD 2,003,974 thousand).

Rental of vehicles is short-term and recognised in the statement of profit or loss. Total expense for the rental of vehicles is AMD 44,192 thousand (2022: AMD 42,488 thousand). Refer to Note 24.

19 Reconciliation of Liabilities arising from Financing Activities

The table below sets out an analysis of liabilities from financing activities and the movements in the Company's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

- for the year ended 31 December 2023

In thousands of Armenian drams	Borrowings	Lease liabilities	Total
Liabilities from financing activities at 1 January	**18,334,317**	**4,233,948**	**22,568,265**
Cash flows			
Loan drawdowns	1,580,280	-	1,580,280
Repayments of principal	(1,579,400)	(2,005,269)	(3,584,669)
Interest payments	(1,978,920)	(236,231)	(2,215,151)
Non-cash changes			
Interest accrual	2,120,269	679,371	2,799,640
New leases	-	4,057,302	4,057,302
Foreign exchange adjustments	542,709	-	542,709
De-recognition	-	(332,326)	(332,326)
Other	(22,100)	(70,690)	(92,790)
Liabilities from financing activities at 31 December	**18,997,155**	**6,326,105**	**25,323,260**

19 Reconciliation of Liabilities arising from Financing Activities (Continued)

- for the year ended 31 December 2022

In thousands of Armenian drams	Borrowings	Lease liabilities	Financial guarantee	Total
Liabilities from financing activities at 1 January	**8,664,896**	**4,474,764**	**1,907,669**	**15,047,329**
Cash flows				
Loan drawdowns	20,524,762	-	-	20,524,762
Repayments of principal	(8,786,288)	(1,593,593)	-	(10,379,881)
Interest payments	(1,061,837)	(410,381)	-	(1,472,218)
Non-cash changes				
Interest accrual	1,268,616	458,194	-	1,726,810
New leases	-	1,238,182	-	1,238,182
Foreign exchange adjustments	(1,883,029)	-	-	(1,883,029)
De-recognition of financial guarantees	-	-	(1,546,770)	(1,546,770)
Amortisation of financial guarantees	-	-	(360,899)	(360,899)
Other	(392,803)	66,782	-	(326,021)
Liabilities from financing activities at 31 December	**18,334,317**	**4,233,948**	-	**22,568,265**

20 Provisions for Asset Retirement Obligations

Estimated costs of dismantling and removing an item of property, plant and equipment (asset retirement obligations) are added to the cost of the item either when an item is acquired or as the item is used during a particular period. When there are changes in the measurement of an existing asset retirement obligation due to changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or from changes in the discount rate, the cost of the related asset is adjusted if the related asset is measured using the cost model.

The Company has a legal obligation to dismantle equipment and restore sites after its expected closure in 20 years. Movements in provisions for asset retirement obligations are as follows:

In thousands of Armenian Drams	Dismantling of equipment and restoring of leased sites
Carrying amount at 1 January 2022	**1,436,526**
Unwinding of the present value discount	160,048
Changes in estimates adjusted against property, plant and equipment (capitalised)	(50,469)
Derecognition of asset retirement obligation	(140,860)
Carrying amount at 31 December 2022	**1,405,247**
Unwinding of the present value discount	157,615
Changes in estimates adjusted against property, plant and equipment (capitalised)	807
Carrying amount at 31 December 2023	**1,563,669**

21 Trade and Other Financial Payables and Advances Received

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

In thousands of Armenian Drams	**31 Decembver 2023**	**31 Decembver 2022**
Payables in respect of acquired services	3,431,054	3,382,824
Payables in respect of purchased equipment	2,013,553	1,996,191
Payables in respect of purchased inventory	951,104	334,781
Payables in respect of roaming services	908,572	1,118,100
Payables in respect of purchased intangible assets	768,065	838,274
Payables in respect of construction works	276,227	820,591
Accrued professional services	51,600	31,200
Other payables	2,027	1,296
Total trade and other financial payables	**8,402,202**	**8,523,257**

Trade payables of AMD 4,632,478 thousand (2022: AMD 4,670,858 thousand) are denominated in foreign currency out of which, mainly 46% in US Dollars (2022: 57%), 5% in SDR (2022: 4%), 49% in Euros (2022: 38%) and 0% in Russian Roubles (2022: 0%).

As of 31 December 2023 and as of 31 December 2022 the advances received comprised of the following balances:

In thousands of Armenian Drams	**2023**	**2022**
Advances received from telecom partners	2,353,550	1,459,531
Advances received for non-current assets to be sold	662,904	1,836,320
Advances received from subscribers	634,636	626,564
Advances received from leases (the Company is lessor)	489,402	751,456
Total advances received	**4,140,492**	**4,673,871**

22 Provisions for Liabilities and Charges

Movements in provisions for liabilities and charges are as follows:

In thousands of Armenian Drams	**Legal claims**	**Tax risks**	**Total**
Carrying amount at 1 January 2022	**65,863**	**121,334**	**187,197**
Additions charged to profit or loss	347,645	-	347,645
Utilisation of provision	-	(121,334)	(121,334)
Carrying amount at 31 December 2022	**413,508**	**-**	**413,508**
Additions charged to profit or loss	57,647	-	57,647
Utilisation of provision	(471,155)	-	(471,155)
Carrying amount at 31 December 2023	**-**	**-**	**-**

All of the above provisions have been classified as current liabilities because the Company does not have an unconditional right to defer settlement beyond one year.

22 Provisions for Liabilities and Charges (Continued)

Legal claims. In the opinion of management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the accrued amounts. The provision for legal claims relates to claim brought against the Company by former employee relating to year 2018 lawsuit with demand to cancel the Company's decision on dismissal. The balance at 31 December 2022 is utilised by the end of April 2023.

Tax risks. Tax risks provision origination in 2021 is connected with penalties arosed due to tax reports corrections, which were paid in 2022.

23 Revenue

Revenue recognition. The Company generates revenue from providing voice, data and other telecommunication services through a range of wireless, fixed and broadband Internet services, as well as selling equipment and accessories. Products and services may be sold separately or in bundled packages. When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent0020of contract costs incurred that are likely to be recoverable.

Service revenue. Service revenue includes revenue from airtime charges from contract and within the terms of prepaid system agreements, in accordance with subscription agreements, monthly subscription fees, interconnection services fees, as well as roaming and additional services charges. Additional services include short messages (SMS), multimedia messaging (MMS), caller ID, call maintenance, data exchange, mobile Internet, downloadable content and other services. Revenue from additional content services is recognised after exclusion of appropriate expenses, when the Company is an agent for content providers with or without corresponding costs, when the Company is the main holder of deal liabilities.

Interconnect revenue is generated when the Company receives traffic from mobile or fixed subscribers of other operators and that traffic terminates on Company’s network. Roaming revenues include both revenues from Company’s customers who roam outside of their home country network and revenues from other wireless carriers for roaming by their customers on Company’s network. For both revenue streams the company has a single performance obligation and recognises mobile usage and roaming service revenues based on minutes of traffic processed when the services are rendered over the time. Revenues due from foreign carriers for international roaming calls are recognised in the period in which the call occurs.

Revenue for services with a fixed-term, including fixed-term tariff plans and monthly subscriptions, is generally recognized over time, on a straight-line basis. For pay-as-you-use plans, in which the customer is charged based on actual usage, revenue is recognized over time, on a usage basis. Some tariff plans allow customers to rollover unused services to the next period. For these tariff plans, revenue is generally recognized over time, on a usage basis. For contracts which include multiple service components (such as voice, text, data), revenue is allocated based on stand-alone selling price. The stand-alone selling price for these services is determined with reference the price charged per service under a pay-as-you-use plan to similar customers.

Upfront fees, including activation or connection fees, are recognized as deferred income on a straight-line basis over the contract term. For contracts with an indefinite term (generally prepaid contracts), revenue from upfront fees is recognized over the average customer life.

Revenue from other operators, including interconnect and roaming charges, is recognized based on the price specified in the contract, net of any estimated retrospective volume discounts. Accumulated experience is used to estimate and provide for the discounts.

All service revenue is recognized over time.

Sale of equipment and accessories. Equipment and accessories are usually sold to customers on a stand-alone basis or together with service bundles. Where sold together with service bundles, revenue is allocated pro-rata, based on the stand-alone selling price of the equipment and the service bundle.

23 Revenue (Continued)

Revenue for mobile handsets and accessories is recognized when the equipment is sold to a network customer, or, if sold via an intermediary, when the intermediary has taken control of the device and the intermediary has no remaining right of return. Revenue for fixed-line equipment is not recognized until installation and testing of such equipment are completed and the equipment is accepted by the customer.

All revenue from sale of equipment and accessories is recognized at a point in time.

Contract balances. Receivables and contracts assets mostly relate to amounts due from payment agents, other operators and post-paid customers.

Contract liabilities relate primarily to non-refundable cash received from prepaid customers for fixed-term tariff plans or pay-as-you-use tariff plans.

Contract liabilities are presented as “Deferred income” and “Advances received” in the statement of financial position. All “deferred income” amounts outstanding at the beginning of the year have been recognized as revenue during the year.

Sales of prepaid cards, used as a method of cash collection, is accounted for as customer advances for future services and the respective revenue is deferred until the customer uses the airtime. Prepaid cards might not have expiration dates but are subject to statutory expiration periods, and unused prepaid balances are added to service revenue based on an estimate of the expected balance that will expire unused.

Customer acquisition costs. Certain incremental costs incurred in acquiring a contract with a customer (“customer acquisition costs”), are recognised in the statement of financial position within deferred expenses. Such costs generally relate to commissions paid to third-party dealers and own staff and are amortized on a straight-line basis over the average customer life. The Company applies the practical expedient available for customer acquisition costs for which the amortization would have been shorter than 12 months. Such costs relate primarily to commissions paid to third-party dealers upon top-up of prepaid credit by customers and sale of top-up cards.

Average customer life. The average customer life is calculated based on historical data, specifically churn rates for different customer segments (such as mobile and fixed line, prepaid and post-paid).

All revenue is generated in Armenia, as services are rendered in Armenia.

In thousands of Armenian Drams	**2023**	**2022**
Over time		
Mobile services – data exchange	9,124,576	8,216,765
Mobile services – voice	3,124,909	3,602,086
Mobile services – interconnect	1,893,961	2,170,079
Mobile services – roaming	1,257,928	1,049,122
Mobile services – other	1,229,431	1,074,628
Revenue from mobile communication services	**16,630,805**	**16,112,680**
Over time		
Landline services – internet	5,289,503	4,915,014
Landline services – voice	3,599,158	3,973,924
Landline services – transit	2,381,734	4,479,964
Landline services – interconnect	117,359	171,359
Landline services – other	1,167,861	1,130,134
Revenue from fixed communication services	**12,555,615**	**14,670,395**
At a point in time		
Equipment – mobile services	2,819,663	3,024,869
Equipment – landline telephony services	39,559	38,338
Revenue from sale of equipment	**2,859,222**	**3,063,207**
Lease revenue	1,760,965	713,178
Other revenue	215,546	17,218
Total revenues	**34,022,153**	**34,576,678**

24 Cost of Sales

In thousands of Armenian Drams	2023	2022
Cost of services provided		
Depreciation and amortisation	6,612,365	6,678,525
Staff costs	2,528,260	3,544,694
Frequency permission fees	2,439,142	1,792,119
Cost of mobile interconnection services	1,863,161	2,112,264
Electricity	1,580,533	1,542,496
Internet and other communication	1,370,673	842,900
Equipment maintenance and communications line costs	1,044,849	970,635
Costs for roaming services	561,505	690,460
Cost of landline interconnection services	372,720	574,868
Recognition of obsolescence provision	329,763	65,697
Fuel	156,244	186,109
VAT for services	156,184	105,239
SIM cards	62,201	93,820
Rental of vehicles	44,192	42,588
Business trips and training	54,977	33,361
Other services of landline network	314,302	298,925
Other services of mobile network	170,426	147,791
Total cost of services provided	**19,661,497**	**19,722,491**
Cost of equipment sold		
Equipment – mobile services	2,774,162	2,905,107
Equipment – landline telephony services	-	2,738
Total cost of equipment sold	**2,774,162**	**2,907,845**
Total cost of sales	**22,435,659**	**22,630,336**

Staff costs include contribution to mandatory pension funds amounting AMD 170,917 thousand (2022: AMD 127,118 thousand).

25 Other Operating Income

In thousands of Armenian Drams	2023	2022
Gains on disposal of asset held for sale	1,231,597	-
Gains on disposal of property, plant and equipment	117,074	-
Income from write-off of advances received and trade payables	163,163	5,491
Gains on sale of inventories	6,635	8,068
Income from penalties	186	111
Other	23,170	28,861
Income from recharging to the parent	-	1,960,000
Total other operating income	**1,541,825**	**2,002,531**

26 General and Administrative Expenses

In thousands of Armenian Drams	2023	2022
Staff costs	2,197,467	2,041,239
Professional services	1,014,316	887,202
Office and utility expenses	648,918	393,607
Depreciation and amortisation	169,671	413,048
Repair and maintenance expenses	142,520	94,368
Non-refundable taxes	117,077	113,002
Security expenses	82,374	27,745
Business trip and training costs	67,051	56,920
Insurance	64,113	45,455
Representative costs	2,163	4,655
Other	94,362	154,892
Total general and administrative expenses	**4,600,032**	**4,232,133**

As for the year ended 31 December 2023 professional services includes audit fees which amounted AMD th' 48,000 (2022: AMD th' 43,000).

Staff costs in the table above include termination benefits amounting AMD 4,532 thousand (2022: AMD 5,821 housand) related to the management resignations.

Termination benefit expenses are also included in Cost of sales (see Note 24) amounted AMD 25,636 thousand (2022: AMD 12,612 thousand) and in Distribution expenses (see Note 27) amounted AMD nill (2022: AMD 4,706 thousand) correspondingly.

Staff costs include contribution to mandatory pension funds amounting AMD 78,409 thousand (2022: AMD 73,202 thousand).

27 Distribution Expenses

In thousands of Armenian Drams	2023	2022
Staff costs	2,365,790	2,268,529
Advertising and marketing services	507,926	559,597
Cash collection expenses	320,392	311,851
Cost of scratch cards	46,627	41,502
Other expenses	83,220	106,111
Total distribution expenses	**3,323,955**	**3,287,590**

Staff costs include contribution to mandatory pension funds amounting AMD 83,972 thousand (2022: AMD 81,353 thousand).

28 Other Operating Expenses

In thousands of Armenian Drams	2023	2022
Charity and sponsorship	184,062	88,136
Free of charge provision	100,236	81,144
Legal claims expenses	57,646	347,645
Tax penalty	42,828	97,706
Unrecoverable VAT	23,939	22,077
Other non-recoverable taxes	21,331	28,942
Write-down of inventories	2,184	5,397
Losses on disposal of property, plant and equipment	-	219,642
Foreign exchange losses less gains from operating activity	22,618	160,831
Other expenses	89,360	48,260
Total other operating expenses	**544,204**	**1,099,780**

29 Finance Income/Costs

Finance Income

In thousands of Armenian Drams	2023	2022
Interest income on loans issued	2,068,557	1,261,196
Unwinding of discount previously recognized	274,805	188,011
Interest income from cash and cash equivalents and term deposit	124,655	45,879
Amortization of financial guarantees	-	360,899
Total finance income recognised in profit or loss	**2,468,017**	**1,855,985**

Financial guarantee is recognised in 2020, in 2021 it was amortised, and in 2022 it was derecognized in equity.

Finance costs

In thousands of Armenian Drams	2023	2022
Interest expense on loans received	2,120,269	1,268,617
Interest expense on leases	679,371	458,194
Provision for asset retirement obligations: unwinding of the present value discount	157,615	19,188
Total finance costs	**2,957,255**	**1,745,999**
Less capitalised finance costs	(481,592)	(205,910)
Total finance costs recognised in profit or loss	**2,475,663**	**1,540,089**

The Company capitalised borrowing costs arising on financing directly attributable to the construction of and acquisition of property, plant and equipment. The capitalisation rate was 16.29% (2022: 11.79%).

30 Income Taxes

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse, or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Uncertain tax positions. The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance expenses and other gains/(losses), net, respectively.

(a) Components of income tax expense

Income tax expense recorded in profit or loss comprises the following:

In thousands of Armenian Drams	**2023**	**2022**
Deferred tax	708,822	1,813,122
Income tax expense for the year	**708,822**	**1,813,122**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Company's 2023 and 2022 income is 18%. A reconciliation between the expected and the actual taxation charge is provided below.

30 Income Taxes (Continued)

In thousands of Armenian Drams	2023	2022
Profit before tax	**5,235,541**	**10,490,422**
Theoretical tax charge at statutory rate of 18%	(942,397)	(1,888,276)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income which is exempt from taxation	661,166	1,183,076
- Non-deductible expenses	(427,591)	(1,107,922)
Income tax expense for the year	**(708,822)**	**(1,813,122)**

Out of total Non-deductible expenses AMD 370,724 thousand represents effect from foreign exchange losses (2022: AMD 870,341 thousand). Out of total Income which is exempt from taxation AMD 401,330 thousand represents effect from foreign exchange gain (2022: AMD 796,434 thousand). In these financial statements they are presented on a net basis.

As of 31 December 2023 the Company had current income tax prepayments in amount of AMD 269,728 thousand (2022: AMD 269,728 thousand). Prepayment was recognized because of higher tax payments in 2021 comparing to actual tax charge amounts. Prepayment will be utilized by the Company in the next periods.

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in the Republic of Armenia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences for the year ended 31 December 2023 is detailed below:

In thousands of Armenian Drams	1 January 2023	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	31 December 2023
Tax effect of temporary differences				
Property, plant and equipment	1,916,261	(567,712)	-	1,348,549
Intangible assets	(132,010)	184,773	-	52,763
Leasehold improvements	229,759	(11,339)	-	218,420
Investment property	(1,066,872)	(50,049)	-	(1,116,921)
Deferred expenses	(13,639)	(2,542)	-	(16,181)
Right-of-use assets and lease liabilities	130,723	7,864	-	138,587
Impairment provision for receivables	958,628	(302,188)	12,883	669,323
Assets retirement obligation	252,944	28,516	-	281,460
Deferred income	10,497	(2,627)	-	7,870
Accounts payable	104,027	36,380	-	140,407
Loans issued	264,791	-	(264,791)	-
Tax losses	44,988	(29,898)	-	15,090
Net deferred tax asset	**2,700,097**	**(708,822)**	**(251,908)**	**1,739,368**

According to the legislation of Armenia tax losses outstanding as of 31 December 2023 will expire in 2026.

The tax effect of the movements in these temporary differences for the year ended 31 December 2022 is detailed below:

30 Income Taxes (Continued)

In thousands of Armenian Drams	**1 January 2022**	**(Charged) / credited to profit or loss**	**(Charged) / credited to equity**	**31 December 2022**
Tax effect of temporary differences				
Property, plant and equipment	2,359,065	(442,804)	-	1,916,261
Intangible assets	8,297	(140,307)	-	(132,010)
Leasehold improvements	230,499	(740)	-	229,759
Investment property	-	(1,066,872)	-	(1,066,872)
Provision for inventories	1	(1)	-	-
Deferred expenses	(22,157)	8,518	-	(13,639)
Right-of-use assets and lease liabilities	180,602	(49,879)	-	130,723
Impairment provision for receivables	653,578	144,892	160,157	958,628
Assets retirement obligation	258,575	(5,631)	-	252,944
Deferred income	11,774	(1,277)	-	10,497
Accounts payable	56,765	47,262	-	104,027
Loans issued	(34,493)	(82,544)	381,828	264,791
Financial guarantees	343,380	(64,962)	(278,418)	-
Tax losses	203,766	(158,778)	-	44,988
Net deferred tax asset	**4,249,652**	**(1,813,123)**	**263,567**	**2,700,097**

31 Earnings per Share

Basic earnings/(loss) per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

Earnings per share from continuing operations are calculated as follows:

In thousands of AMD	**Note**	**2023**	**2022**
Profit for the year		4,526,719	8,677,300
Profit for the year attributable to ordinary shareholders		4,526,719	8,677,300
Weighted average number of ordinary shares in issue	16	208,377,090	188,377,090
Basic earnings per ordinary share (expressed in AMD per share)		**21.72**	**46.06**

32 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements.

At 31 December 2023 the Company was engaged in litigation proceeding with former subscriber in relation to its claim for damages in the form of missed benefits which is resulted from fixed line numbers renaming. No provision has been made as the Company's management believes that it is not likely that any significant loss will arise and the risk is remote.

At 31 December 2023 the Company's immediate parent and ultimate owners were engaged in litigation proceeding with formerly owned company in relation to acquisition of shares of Veon Armenia (former name of the Company). No provision has been made as the Company's management believes that it is not likely that any significant loss will arise and the risk is remote. No financial impact in any case will be on Company's side.

Tax contingencies. Certain provisions of tax, currency and customs legislation of the Republic of Armenia are subject to varying interpretations when being applied to the transactions and activities of the Company. Consequently, tax authorities may adopt tougher position on the interpretations and evaluation of legislation as a result of which the interpretation of previously non-challenged by tax authorities' transactions and activities of tax accounting may be changed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review were made.

In addition to the above matters, management estimates that the Company has other possible obligations from exposure to other than remote tax risks of AMD 1,211,356 thousand (2022: AMD 1,211,356 thousand). These exposures relate to withholding tax that result from uncertainties in interpretation of applicable legislation and related documentation requirements.

Capital expenditure commitments. At 31 December 2023, the Company has contractual capital expenditure commitments in respect of property, plant and equipment amounting to AMD 4,414,085 thousand (2022: AMD 651,364 thousand). The Company has already allocated the necessary resources in respect of these commitments. The Company believes that future net income and funding will be sufficient to cover this and any similar commitments.

Environmental matters. The enforcement of environmental regulation in the Republic of Armenia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Pledges. The Company pledged property with net book value of AMD 5,348,637 thousand (2022: AMD 3,987,644 thousand) as a security for received loans (Note 17). 100% of the Company's shares were also pledged as a security for the same loans.

33 Financial Risk Management

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

33 Financial Risk Management (Continued)

Credit risk. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The following table provides financial assets and liabilities categories as of 31 December:

In thousands of Armenian Drams	**2023**	**2022**
Assets		
Loans issued (Note 11)	17,970,410	17,249,248
Other non-current assets (Note 13)	1,324,689	2,018,779
Trade and other receivables (Note 13)		
- Trade receivables, net	6,804,449	6,240,018
Term deposit (Note 14)	1,371,537	823,885
Cash and cash equivalents (Note 15)		
- Bank balances payable on demand	876,744	511,173
- Cash in transit	86,447	80,908
- Cash on hand	26,571	23,719
Total balance sheet exposure to credit risk	**28,460,847**	**26,947,730**

Credit risk management. Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Limits. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Companys of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

The Company's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 13.

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Company: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. PD is an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

33 Financial Risk Management (Continued)

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider forward looking information, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

For purposes of measuring PD, the Company defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower is deceased;
- the borrower is insolvent; and

For purposes of disclosure, the Company fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Company.

The Company considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

- 30 days past due;

The Company measures ECL on a portfolio basis. When assessment is performed on a portfolio basis. the Company analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a Company have homogeneous or similar risks.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future year during the lifetime period for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Credit risks concentration. The Company is exposed to concentrations of credit risk. At 31 December 2023 the Company had five counterparties (2022: six counterparties) with aggregated short-term receivables balances above AMD 100,000 thousand. The total amount of these balances was AMD 5,961,866 thousand, which comprises 72% of total short-term receivables (2022: AMD 4,904,790 thousand which comprises 78% of total receivables).

At 31 December 2023 the Company had 1 counterparty (2022: 1 counterparty) with aggregated long-term receivables balances above AMD 100,000 thousand. The total amount of these balances was AMD 2,005,721 thousand, which comprises 100% of total long-term receivables (2022: AMD 2,018,779 thousand, which comprises 100% of total long-term receivables).

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice, this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk. In respect of currency risk, management monitores intra-day positions. The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

33 Financial Risk Management (Continued)

In thousands of Armenian Drams	At 31 December 2023			At 31 December 2022		
	Monetary financial assets	**Monetary financial liabilities**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
US Dollars	21,606,057	(21,652,892)	(46,835)	20,265,212	(21,287,984)	(1,022,773)
Euros	1,491,435	(3,632,065)	(2,140,630)	392,691	(2,655,365)	(2,262,673)
SDR	256,003	(213,973)	42,030	304,015	(202,431)	101,584
Russian Roubles	5,521	(19,610)	(14,089)	14,188	(16,371)	(2,184)
GBP	36,062	(974)	35,088	36,113	(4,268)	31,845
Total	**23,395,078**	**(25,519,514)**	**(2,124,436)**	**21,012,219**	**(24,166,420)**	**(3,154,201)**

The above analysis includes only monetary assets and liabilities. Non-monetary assets are not considered to give rise to any material currency risk. The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Company, with all other variables held constant:

In thousands of Armenian Drams	**At 31 December 2023**	**At 31 December 2022**
US Dollar strengthening by 5% (2022: strengthening by 5%)	(2,342)	(51,139)
US Dollar weakening by 5% (2022: weakening by 5%)	2,342	51,139
Euro strengthening by 5% (2022: strengthening by 5%)	(107,032)	(113,134)
Euro weakening by 5% (2022: weakening by 5%)	107,032	113,134
SDR strengthening by 5% (2022: strengthening by 5%)	2,102	5,079
SDR weakening by 5% (2022: weakening by 5%)	(2,102)	(5,079)
Russian Rouble strengthening by 15% (2022: strengthening by 15%)	(2,113)	(328)
Russian Rouble weakening by 15% (2022: weakening by 15%)	2,113	328
GBP strengthening by 5% (2022: strengthening by 5%)	1,754	1,592
GBP weakening by 5% (2022: weakening by 5%)	(1,754)	(1,592)

Interest rate risk. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The table below summarises the Company's exposure to interest rate risks. The table presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In thousands of Armenian Drams	**Demand and less than 1 month**	**From 1 to 12 months**	**More than 1 year**	**Total**
Total financial assets with fixed interest rate	-	2,803,900	1,324,689	4,128,589
Total financial assets with variable interest rate	-	-	17,970,410	17,970,410
Total financial liabilities with fixed interest rate	210,859	2,415,583	4,514,453	7,140,895
Total financial liabilities with variable interest rate	10,428	-	18,171,938	18,182,366
Net interest sensitivity gap at 31 December 2023	**(221,287)**	**388,317**	**(3,391,292)**	**(3,224,262)**
Total financial assets with fixed interest rate	-	1,357,111	12,524,122	13,881,233
Total financial assets with variable interest rate	-	-	6,743,905	6,743,905
Total financial liabilities with fixed interest rate	133,280	1,721,584	3,166,781	5,021,645
Total financial liabilities with variable interest rate	81,070	-	17,465,550	17,546,620
Net interest sensitivity gap at 31 December 2022	**(214,350)**	**(364,473)**	**(1,364,304)**	**(1,943,127)**

33 Financial Risk Management (Continued)

At 31 December 2023, if interest rates at that date had been 1% lower (2022: 1% lower) with all other variables held constant, profit for the year would have been AMD 110,715 thousand (2022: AMD 68,875 thousand) higher, mainly as a result of lower interest expense on variable interest liabilities.

If interest rates had been 1% higher (2022: 1% higher), with all other variables held constant, profit would have been AMD 110,715 thousand (2022: AMD 68,875 thousand) lower, mainly because of higher interest expense on variable interest liabilities.

The Company monitors interest rates for its financial instruments. The table below summarises contactual interest rates at the respective end of the reporting period based on reports reviewed by key management personnel:

	2023		2022	
In % p.a.	**AMD**	**USD**	**AMD**	**USD**
Assets				
Cash and cash equivalents	0-6	0-1	0-6	0-1
Term Deposit	8.75-9.25	-	9.3	-
Loans issued	13	0, 8, SOFR+5.6	13	0, 8, SOFR+5.6
Borrowings received	n/a	SOFR+5.6	n/a	SOFR+5.6

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Liquidity risk is managed by finance department of the Company. Management monitors monthly rolling forecasts of the Company's cash flows. The Company seeks to maintain a stable funding base primarily consisting of trade and other receivables. The Company invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Company's liquidity portfolio comprises cash and cash equivalents (Note 15). The liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

The maturity analysis of financial liabilities at 31 December 2023 is as follows:

In thousands of Armenian Drams	**Demand and less than 1 month**	**From 1 to 12 month**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Bank loans received	10,428	1,809,008	20,422,094	4,918,199	27,159,729
Trade and other financial payables (Note 21)	1,217,804	7,184,398	-	-	8,402,202
Lease liabilities	210,859	2,103,269	4,602,233	1,585,654	8,502,015
Total future payments, including future principal and interest payments	**1,439,091**	**11,096,675**	**25,024,327**	**6,503,853**	**44,063,946**

The table above shows liabilities at 31 December 2023 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross lease obligations (before deducting future finance charges) and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

33 Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2022 is as follows:

In thousands of Armenian Drams	**Demand and less than 1 month**	**From 1 to 12 month**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Bank loans received	81,070	787,697	19,625,619	5,021,208	25,515,594
Trade and other financial payables (Note 21)	1,206,887	7,316,370	-	-	8,523,257
Lease liabilities	138,117	1,197,722	3,492,433	1,348,791	6,177,063
Total future payments, including future principal and interest payments	**1,426,074**	**9,301,789**	**23,118,052**	**6,369,999**	**40,215,914**

Guarantees provided are included in the category “Demand and less than 1 month” as the Company is dependent on the fulfilment of the obligations by the borrower to the bank on the guaranteed loan and actions that the bank may take based on the loan and guarantee agreements terms.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

34 Management of Capital

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Company managed as of 31 December 2023 was AMD 41,274,107 thousand (2022: AMD 31,335,670 thousand).

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total long and short-term loans divided by total capital under management. The Company considers total capital under management to be equity as shown in the statement of financial position. During 2023, the Company’s strategy, which was unchanged from 2022, was to maintain the gearing ratio within 40% to 60%. The gearing ratio decreased from 59% to 50% following. The Company has complied with all externally imposed capital requirements throughout 2023 (for 2022 refer to note 17).

35 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

35 Fair Value Disclosures (Continued)

In thousands of Armenian drams	31 December 2023 Level 3	31 December 2023 Total	31 December 2022 Level 3	31 December 2022 Total
NON-FINANCIAL ASSETS				
- Investment properties	6,205,118	6,205,118	5,927,067	5,927,067
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS AT 31 DECEMBER	**6,205,118**	**6,205,118**	**5,927,067**	**5,927,067**

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2023:

In thousands of Armenian drams	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reaso-nable change	Sensitivity of fair value measu-rement
ASSETS AT FAIR VALUE						
- Investment properties	6,205,118	Discounted cash flows ("DCF")	WACC	10.59%	+ 0.5 % - 0.5 %	-98,243 +100,398
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 3	**6,205,118**					

The above tables disclose the sensitivity to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change the fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in the fair value are recognised in other comprehensive income or total equity. There were no changes in the valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2023 (2022: none).

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

35 Fair Value Disclosures (Continued)

In thousands of Armenian Drams	31 December 2023 Level 3 fair value	31 December 2023 Carrying value	31 December 2022 Level 3 fair value	31 December 2022 Carrying value
ASSETS				
Financial assets at AC				
- Trade receivables	6,804,449	6,804,449	6,240,018	6,240,018
- Loan provided	17,970,410	17,970,410	17,249,248	17,249,248
- Long term trade receivables	1,324,689	1,324,689	2,018,779	2,018,779
- Term deposits	1,371,537	1,371,537	823,885	823,885
- Cash and cash equivalents	989,762	989,762	615,800	615,800
TOTAL ASSETS	**28,460,847**	**28,460,847**	**26,947,730**	**26,947,730**

In thousands of Armenian Drams	31 December 2023 Level 3 fair value	31 December 2023 Carrying value	31 December 2022 Level 3 fair value	31 December 2022 Carrying value
LIABILITIES				
Borrowings				
- Bank loan	18,997,155	18,997,155	18,334,317	18,334,317
Other financial liabilities				
- Trade payables	8,402,202	8,402,202	8,523,257	8,523,257
TOTAL LIABILITIES	**27,399,357**	**27,399,357**	**26,857,574**	**26,857,574**

The fair values in level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

Liabilities carried at amortised cost. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

36 Presentation of Financial Instruments by Measurement Category

As of 31 December 2023, and 2022, all of the Company's financial assets and liabilities were carried at AC.

37 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

37 Balances and Transactions with Related Parties (Continued)

At 31 December 2023, the outstanding balances with related parties were as follows:

In thousands of Armenian Drams	**Immediate parent company**	**Entities under common control**
Assets		
Loans issued (contractual interest rate 10.77%)	17,970,410	-
Other non-current assets	1,324,689	
Trade and other receivables, except for prepayments	2,064,416	206,631
Prepayments for current assets	1,893,617	266,901
Prepayments for non-current assets	-	146,665
Liabilities		
Advances received	-	563,991
Trade and other payables	-	264,240

At 31 December 2022, the outstanding balances with related parties were as follows:

In thousands of Armenian Drams	**Immediate parent company**	**Entities under common control**
Assets		
Loans issued (contractual interest rate 7.5-10.3%)	11,635,786	-
Loans issued (contractual interest rate 0%)	5,425,111	-
Other non-current assets	2,166,338	
Trade and other receivables, except for prepayments	529,637	370,646
Prepayments for current assets	1,604,777	123,699
Prepayments for non-current assets	-	30,847
Liabilities		
Advances received	-	109,259
Trade and other payables	-	154,739

The income and expense items as well as other transactions with related parties for the year ended 31 December 2023 were as follows:

In thousands of Armenian Drams	**Immediate parent company**	**Entities under common control**
Expenses		
Purchases of services	758,483	91,580
Management fees	600,000	-
Income		
Services provided	3,636	21,773
Gain from sale of property, plant and equipment	6,282	79,974
Interest income	2,068,557	-
Other transactions		
Dividends paid	6,000,000	-

The income and expense items as well as other transactions with related parties for the year ended 31 December 2022 were as follows:

In thousands of Armenian Drams	**Immediate parent company**	**Entities under common control**
Expenses		
Purchases of services	496,149	37,647
Management fees	435,000	-
Income		
Services provided	1,963,130	10,893
Gain from sale of property, plant and equipment	9,025	904,491
Interest income	1,261,196	-
Other transactions		
Loans issued	10,357,819	-

37 Balances and Transactions with Related Parties (Continued)

Key management compensation. Key management includes General Director, Deputy General Director, Finance Director, Operations Director, Technical Director, Commercial Director and Board Member.

Key management compensation is presented below:

	2023		2022	
In thousands of Armenian Drams	**Expense**	**Net accrued liability**	**Expense**	**Net accrued liability**
Short-term benefits:				
- Salaries	545,025	62,577	491,092	57,459
Business trip and representative costs	31,431	-	27,891	-
Total	**576,456**	**62,577**	**518,982**	**57,459**

Total management compensation expense in the table above include contribution to mandatory pension funds amounting AMD 5,218 thousand (2022: AMD 4,565 thousand).

38 Events after the Reporting Period

No subsequent events have been identified for disclosure as of authorization of these financial statements.