

Telcell CJSC
Consolidated Financial Statements
for 2021

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KPMG Armenia LLC
8th floor, Erebuni Plaza Business Center
26/1 Vazgen Sargsyan Street
Yerevan 0010, Armenia
Telephone + 374 (10) 595 999
Internet www.kpmg.am

Independent Auditors' Report

To the Shareholders and Board of Directors of Telcell CJSC

Opinion

We have audited the consolidated financial statements of Telcell CJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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


Tigran Gasparyan
Managing Partner, Director of KPMG Armenia LLC

KPMG Armenia LLC
12 May 2022



Consolidated Statement of Financial Position as at 31 December 2021

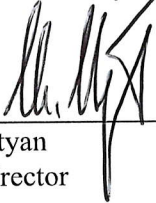
'000 AMD	Note	31 December 2021	31 December 2020
Assets			
Property and equipment	9	822,514	780,446
Intangible assets	10	440,730	516,352
Goodwill	11	1,157,700	1,157,700
Right of use asset	19	276,295	189,356
Prepayments		14,000	39,784
Borrowings given	13	200,000	-
Deferred tax assets	8	54,735	46,815
Non-current assets		2,965,974	2,730,453
Inventories	12	140,903	76,592
Borrowings given	13	58,432	11,120
Bank deposit		156,167	-
Trade and other receivables	14	985,888	799,467
Current tax assets		1,555	1,555
Cash and cash equivalents	15	10,549,045	6,062,055
Current assets		11,891,990	6,950,789
Total assets		14,857,964	9,681,242
Equity			
Share capital	16	220,000	150,000
Reserves	16	35,000	35,000
Retained earnings		2,568,748	1,608,583
Equity attributable to owners of the Company		2,823,748	1,793,583
Non-controlling interest		11,889	11,889
Total equity		2,835,637	1,805,472
Liabilities			
Loans and borrowings	18	589,849	498,021
Lease liability	19	249,506	148,280
Trade and other payables	20	153,799	97,375
Non-current liabilities		993,154	743,676
Lease liability	19	49,421	64,522
Trade and other payables	20	10,567,970	6,830,599
Current tax liabilities		411,782	236,973
Current liabilities		11,029,173	7,132,094
Total liabilities		12,022,327	7,875,770
Total equity and liabilities		14,857,964	9,681,242

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 45.

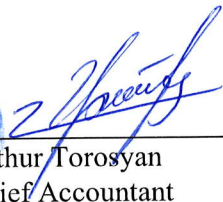
Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2021

'000 AMD	Note	2021	2020
Revenue	5	10,137,844	6,682,403
Commission to agents		(3,567,982)	(2,566,448)
Other income	6(a)	326,993	211,079
Personnel expenses		(1,232,033)	(1,132,899)
Lease expenses	19(c)	(486,119)	(448,438)
Depreciation and amortisation		(346,155)	(211,511)
Permission fees		(226,360)	(211,190)
Cash transportation expenses		(171,766)	(125,132)
Support and maintenance expenses		(106,255)	(101,410)
Bank charges		(267,923)	(97,653)
Impairment loss on trade receivables		(14,900)	(48,324)
Other expenses	6(b)	(733,324)	(576,014)
Results from operating activities		3,312,020	1,374,463
Finance income	7	45,135	94,986
Finance costs	7	(370,297)	(49,467)
Net finance costs	7	(325,162)	45,519
Profit before income tax		2,986,858	1,419,982
Income tax expense	8	(600,941)	(290,647)
Profit and total comprehensive income for the year		2,385,917	1,129,335
Profit and total comprehensive income attributable to:			
Owners of the Company		2,385,917	1,129,335
Non-controlling interest		-	-
		2,385,917	1,129,335

These consolidated financial statements were approved by management on 12 May 2022 and were signed on its behalf by:


Aram Azatyan
General Director




Arthur Torosyan
Chief Accountant

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 45.

Consolidated Statement of Changes in Equity for 2021

'000 AMD	Attributable to equity holders of the Company					Non-controlling interest	Total equity
	Share capital	Reserves	Retained earnings	Total			
Balance at 1 January 2020	150,000	35,000	750,343	935,343		11,889	947,232
Total comprehensive income							
Profit for the year	-	-	1,129,335	1,129,335		-	1,129,335
Total comprehensive income for the year	-	-	1,129,335	1,129,335		-	1,129,335
Transactions with owners of the Company							
Dividends*	-	-	(250,000)	(250,000)		-	(250,000)
Other transactions	-	-	(21,095)	(21,095)		-	(21,095)
Total transactions with owners of the Company	-	-	(271,095)	(271,095)		-	(271,095)
Balance at 31 December 2020	150,000	35,000	1,608,583	1,793,583		11,889	1,805,472
Balance at 1 January 2021	150,000	35,000	1,608,583	1,793,583		11,889	1,805,472
Total comprehensive income							
Profit for the year	-	-	2,385,917	2,385,917		-	2,385,917
Total comprehensive income for the year	-	-	2,385,917	2,385,917		-	2,385,917
Transactions with owners of the Company							
Issue of ordinary shares	70,000	-	-	70,000		-	70,000
Dividends*	-	-	(1,415,000)	(1,415,000)		-	(1,415,000)
Other transactions	-	-	(10,752)	(10,752)		-	(10,752)
Total transactions with owners of the Company	70,000	-	(1,425,752)	(1,355,752)		-	(1,355,752)
Balance at 31 December 2021	220,000	35,000	2,568,748	2,823,748		11,889	2,835,637

* Dividends declared for the year ended 31 December 2021 in total amount of AMD 795,066 (for the year ended 31 December 2020: AMD 244,535 thousand) have been converted to the loans and borrowings (Note 18(b)).

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 45.

Consolidated Statement of Cash Flows for 2021

'000 AMD	Note	2021	2020
Cash flows from operating activities			
Commission receipts		9,660,691	6,166,814
Commission payments		(3,490,786)	(2,508,610)
Net receipts from foreign exchange trading activities		197,685	133,284
Receipts from other services provided		313,516	336,693
Other income receipts		74,447	70,781
Payments to employees		(1,292,056)	(1,014,119)
Other expenses payments		(1,933,025)	(1,535,834)
Interest received		38,968	49,187
Increase/(decrease) in operating liabilities			
Payables to Operators		3,482,538	(501,254)
Deposited amounts from agents		3,775	6,674
Prepayments received		128,469	(88,084)
Net cash from operations before income taxes and interest paid		7,184,222	1,115,532
Income tax paid		(434,053)	(213,761)
Interest paid		(59,328)	(45,969)
Cash flows from operations		6,690,841	855,802
Cash flows from investing activities			
Proceeds from sale of property and equipment and intangible assets		17,916	10,759
Purchase of property and equipment and intangible assets		(241,374)	(677,752)
Placement of deposit		(150,000)	-
Deposit withdrawal		-	20,510
Borrowings provided		(247,312)	(11,900)
Repayment of borrowings given		-	7,610
Net cash used in investing activities		(620,770)	(650,773)
Cash flows from financing activities			
Proceeds from loans and borrowings		25,000	375,000
Repayment of loans and borrowings		(737,812)	(1,100,890)
Payment of lease liabilities		(50,209)	(45,836)
Dividends paid		(589,002)	(36,029)
Proceeds from issue of share capital		70,000	-
Transactions with owners		-	(21,095)
Net cash used in financing activities		(1,282,023)	(828,850)
Net increase/(decrease) in cash and cash equivalents		4,788,048	(623,821)
Cash and cash equivalents at 1 January		6,062,055	6,652,983
Effect of movements in exchange rates on cash and cash equivalents		(301,058)	32,893
Cash and cash equivalents at 31 December	15	10,549,045	6,062,055

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 45.

Notes to the Consolidated Financial Statements for 2021

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1. Reporting entity

(a) Armenian business environment

The Group's operations are primarily located in Armenia. Consequently, the Group is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia. The COVID-19 coronavirus pandemic has further increased uncertainty in the business environment.

The consolidated financial statements reflect management's assessment of the impact of the Armenian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(b) Organisation and operations

Telcell CJSC (the "Company") and its subsidiaries (the "Group") comprise Armenian closed joint stock company and limited liability companies as defined in the Civil Code of the Republic of Armenia. The Company was established in accordance with the legislation of the Republic of Armenia in 2007. The activities of the Company are regulated by the Central Bank of the Armenia (the CBA). The Company received a money remittances license on 24 July 2007.

The Company's principal activities are:

- provision of collection services, e.g. collections of utility, loan, state budget payments from end users on behalf of service providers (Operators) via its own and agents' terminals;
- money transfers;
- encashment services.

The Company's registered office is 3 Hakob Hakobyan Street (1st section of the main building, 3rd floor), Yerevan 0033, Republic of Armenia.

The Company conducts its operation through 13 customer service branches and over 3500 payment terminals in the Republic of Armenia. The majority of the assets and liabilities are located in the Republic of Armenia.

The Company's shareholders are: Lendasy Trading Ltd (56.28%), Aramayis Badalyan (13.00%), Artak Gabrelyan (10.00%), Tigran Nahapetyan (10.00%), Aram Sargsyan (4.91%) and Tatevik Avetisyan (5.81%). The Group is ultimately controlled by Volha Kirnitskaya.

Related party transactions are disclosed in Note 24.

2. Basis of accounting

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram (“AMD”), which is the Group companies’ functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in AMD has been rounded to the nearest thousand, except when otherwise indicated.

4. Use of estimates and judgments

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in Note 11 – key assumptions in the testing of goodwill for impairment and determination of CGU to which goodwill is allocated.

Measurement of fair values

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

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

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

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

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

5. Revenue

(a) Revenue streams

The Group generates revenue primarily from the collection of payments from end users on behalf of service providers (“Operators”) and from other services provided.

'000 AMD	2021	2020
Revenue from contracts with customers		
Commission from collections	9,145,633	6,153,108
Revenue from advertising and agent’s terminal maintenance services	382,669	301,137
Commission from encashment services	386,160	134,613
Commission from money transfers	127,570	57,594
Other revenue	95,812	35,951
Total revenue	10,137,844	6,682,403

(b) Disaggregation of revenue from contracts with customers

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

'000 AMD	2021	2020
Market		
Domestic	10,010,400	6,622,112
Other CIS countries	127,444	60,291
	10,137,844	6,682,403
Timing of revenue recognition		
Services transferred over time	10,137,844	6,682,403
Revenue from services provided	10,137,844	6,682,403

(c) Contract balances

The following table provides information about trade receivables from contracts with customers.

'000 AMD	Note	31 December 2021	31 December 2020
Receivables, which are included in ‘trade and other receivables’	14	696,410	650,449

No information is provided about remaining performance obligations at 31 December 2021 that have an original expected duration of one year or less, as allowed by IFRS 15.

(d) Performance obligations and revenue recognition policies

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

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Payment collection, encashment and money transfer services	Performance obligations for payment collection and encashment services are satisfied when the Company accepts payments from end customers of the Operators. Acts for payment collection, encashment or money transfer services are issued on a monthly basis and are usually payable within 30 days.	Revenue from collection, encashment and money transfer services primarily consists of monthly charges for usage of services and is recognized over time as the services are provided. Measure of progress is based on volume of cash collected, encashments and money transferred.
Maintenance and advertising services	Invoices for maintenance and advertising services are issued on a monthly basis and are usually payable within 30 days.	Revenue from maintenance services primarily consists of monthly fixed charges for usage of services and is recognized over time as the services are provided using time elapsed measure of progress.

6. Income and expenses

(a) Other income

'000 AMD	2021	2020
Net income from foreign exchange trading	181,369	133,284
Fines and penalties	41,512	-
Gain on disposal of property and equipment	14,171	7,014
Net income from sale of inventory	979	11,901
Other	88,962	58,880
	326,993	211,079

(b) Other expenses

'000 AMD	2021	2020
Promotional campaigns and gifts	148,765	90,764
Advertising and marketing	72,062	28,967
Processing system maintenance	48,900	48,660
Transportation expenses	44,024	25,915
Commission fee	41,809	30,734
Travel and representative expenses	40,589	21,711
Utilities and communication	38,847	26,885
Customer service	37,074	59,639
Outsourced services	33,178	35,980
Professional services	28,647	10,120
Office supplies	24,965	15,518
Net losses from foreign exchange trading	23,769	46,172
Claims	21,825	15,481
Donations	17,842	38,176
Security	11,053	7,728
Taxes and penalties	10,933	9,369
Other	89,042	64,195
	733,324	576,014

7. Net finance costs

'000 AMD	2021	2020
Recognised in profit or loss		
Interest income on bank accounts	45,135	49,187
Net foreign exchange gain	-	45,799
Finance income	45,135	94,986
Net foreign exchange loss	(303,324)	-
Interest expense on loans and borrowings	(45,344)	(27,272)
Interest expense on leases	(21,629)	(22,195)
Finance costs	(370,297)	(49,467)
Net finance costs recognised in profit or loss	(325,162)	45,519

8. Income taxes

(a) Amounts recognised in profit or loss

The Group's applicable tax rate is the income tax rate of 18%(2020: 18%). for Armenian companies.

'000 AMD	2021	2020
Current tax expense		
Current year	(587,255)	(306,228)
Under-provided in prior years	(21,606)	-
	(608,861)	(306,228)
Deferred tax expense		
Origination and reversal of temporary differences	7,920	15,581
Total tax expense	(600,941)	(290,647)

Reconciliation of effective tax rate:

	2021		2020	
	'000 AMD	%	'000 AMD	%
Profit before income tax	2,986,858		1,419,982	
Tax at applicable tax rate	(537,634)	(18.0)	(255,597)	(18.0)
Under-provided in prior years	(21,607)	(0.7)	-	-
Non-deductible expenses	(41,700)	(1.3)	(35,050)	(2.5)
	(600,941)	(20.0)	(290,647)	(20.5)

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

'000 AMD	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Property and equipment	11,724	5,345	-	-	11,724	5,345
Inventories	14,288	13,753	-	-	14,288	13,753
Borrowings given	4,074	4,220	-	-	4,074	4,220
Trade and other receivables	21,780	20,627	-	-	21,780	20,627
Right of use asset	2,869	2,870	-	-	2,869	2,870
Net tax assets/(liabilities)	54,735	46,815	-	-	54,735	46,815

(c) Movement in deferred tax balances

All movements in deferred tax balances are recognised in profit or loss.

9. Property and equipment

'000 AMD	Payment processing equipment	Computers and office equipment	Fixtures and fittings	Motor vehicles	Leasehold improvement	Total
<i>Cost</i>						
Balance at 1 January 2020	1,058,143	163,864	79,596	19,954	45,549	1,367,106
Additions	81,272	26,530	33,774	1,162	82,521	225,259
Disposals	(13,702)	(30)	(1,240)	-	-	(14,972)
Balance at 31 December 2020	1,125,713	190,364	112,130	21,116	128,070	1,577,393
Balance at 1 January 2021	1,125,713	190,364	112,130	21,116	128,070	1,577,393
Additions	76,775	55,764	19,722	4,966	37,056	194,283
Disposals	(23,549)	-	-	-	-	(23,549)
Balance at 31 December 2021	1,178,939	246,128	131,852	26,082	165,126	1,748,127
<i>Depreciation</i>						
Balance at 1 January 2020	495,809	114,488	50,986	4,269	7,600	673,152
Depreciation for the year	86,986	30,365	12,201	2,726	2,744	135,022
Disposals	(10,022)	-	(1,205)	-	-	(11,227)
Balance at 31 December 2020	572,773	144,853	61,982	6,995	10,344	796,947
Balance at 1 January 2021	572,773	144,853	61,982	6,995	10,344	796,947
Depreciation for the year	90,217	30,711	18,822	3,334	7,237	150,321
Disposals	(21,655)	-	-	-	-	(21,655)
Balance at 31 December 2021	641,335	175,564	80,804	10,329	17,581	925,613
<i>Carrying amounts</i>						
At 1 January 2020	562,334	49,376	28,610	15,685	37,949	693,954
At 31 December 2020	552,940	45,511	50,148	14,121	117,726	780,446
At 31 December 2021	537,604	70,564	51,048	15,753	147,545	822,514

As at 31 December 2021 payment processing equipment with carrying amount of AMD 214,261 thousand (31 December 2020: AMD 204,460 thousand) are pledged as collateral for Secured bank loan (see Note 18(a)).

10. Intangible assets

'000 AMD	Computer software	Licenses	Terminal installation permission	Total
<i>Cost</i>				
Balance at 1 January 2020	156,758	16,089	-	172,847
Additions	65,452	392	375,000	440,844
Balance at 31 December 2020	222,210	16,481	375,000	613,691
Balance at 1 January 2021	223,634	15,334	375,000	613,968
Additions	70,825	-	-	70,825
Balance at 31 December 2021	294,459	15,334	375,000	684,793
<i>Amortisation</i>				
Balance at 1 January 2020	74,267	9,664	-	83,931
Amortisation for the year	12,142	1,266	-	13,408
Balance at 31 December 2020	86,409	10,930	-	97,339
Balance at 1 January 2021	86,891	10,460	-	97,351
Amortisation for the year	20,407	1,305	125,000	146,712
Balance at 31 December 2021	107,298	11,765	125,000	244,063
<i>Carrying amounts</i>				
At 1 January 2020	82,491	6,425	-	88,916
At 31 December 2020	135,801	5,551	375,000	516,352
At 31 December 2021	187,161	3,569	250,000	440,730

11. Goodwill

'000 AMD	31 December 2021	31 December 2020
Goodwill from acquisition of Mega Panther LLC	1,077,950	1,077,950
Goodwill from acquisition of Tel-Cell Service LLC	79,750	79,750
	1,157,700	1,157,700

(a) Impairment test for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's total operations, excluding cash flows from operation of online wallet and money transfers. There is no lower level of CGU within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of this CGU was based on its value in use, determined by discounting future cash flows to be generated from the continuing operations of the Group. The recoverable amount of the CGU was determined to be higher than its carrying amount and no impairment loss was recognised.

Key assumptions used in discounted cash flow projections

The key assumptions used in the estimation of value in use are discount rates, and EBITDA margins.

(i) Discount rate

A pre-tax discount rate of 15.1% was applied in determining the recoverable amount of the CGU.

The discount rate was estimated based on past experience, and industry average weighted-average cost of capital, which was based on a possible range of debt leveraging of 25.4% at a market interest rate of 14.9%, on average.

(ii) Budgeted EBITDA decrease

The projected EBITDA margin levels for forecast horizon were in line with historical values. Given the dynamics of the business and industry specifics, the growth rate of EBITDA margin in the first projection period is supported by historical levels and Company budget for 2022, followed by the growth in line with RA inflation forecast of IMF as at Analysis date for the proceeding years from 2023 -2026.

(iii) Sensitivity to changes in assumptions

An increase of 5% in the discount rate used would have decreased the impairment headroom by 29%.

12. Inventories

'000 AMD	31 December 2021	31 December 2020
Spare parts	64,279	50,038
Other	76,624	26,554
	140,903	76,592

13. Borrowings given

'000 AMD	31 December 2021	31 December 2020
Non-current assets		
Borrowings to Armenian credit organisations	175,000	-
Borrowings to related parties	25,000	-
	200,000	-
Current assets		
Borrowings to related parties	58,432	11,120
	58,432	11,120
	258,432	11,120

The borrowings provided are neither past due nor impaired.

14. Trade and other receivables

'000 AMD	31 December 2021	31 December 2020
Commissions receivable	570,274	572,499
Trade receivables from other services	126,136	77,950
Total trade receivables	696,410	650,449
Prepayments given	196,837	129,339
Receivables from money transfers	87,259	-
Other receivables	5,382	19,679
Total other receivables	289,478	149,018
Total trade and other receivables	985,888	799,467

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 21.

15. Cash and cash equivalents

'000 AMD	31 December 2021	31 December 2020
Bank balances	5,877,426	2,271,081
Cash in terminals	2,033,660	1,602,085
Cash on hand	1,658,870	1,320,128
Cash in transit	979,089	868,761
Cash and cash equivalents in the consolidated statements of cash flows and financial position	10,549,045	6,062,055

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

16. Capital and reserves

(a) Share capital

Number of shares unless otherwise stated

	Ordinary shares	
	31 December 2021	31 December 2020
In issue at 1 January 31 December, fully paid	220,000	150,000
Authorised shares - par value	AMD 1,000	AMD 1,000

All ordinary shares rank equally with regard to the Group's residual assets.

Ordinary shares

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

In September 2021 the extraordinary meeting of shareholders approved the issue of 70 thousand ordinary shares at a price of AMD 1,000 per share (2020: nil).

(b) Dividends

In accordance with Armenian legislation, the Company's and its subsidiaries' distributable reserves are determined based on the Company's statutory financial statements prepared in accordance with International Financial Reporting Standards, except for restrictions on retained earnings as described below.

According to legal requirements, the Company is required to create a non-distributable reserve from its retained earnings for an amount equal to 15% of its share capital for the purpose of covering future losses.

In 2021 the Company declared dividends of AMD 1,415,000 thousand (2020: AMD 250,000 thousand) and paid AMD 589,002 thousand (2020: AMD 36,029 thousand), the remaining part has been converted to the loans and borrowings. Dividend per share amounted to AMD 6,432 (2020: AMD 1,667).

17. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group monitors capital using a ratio of adjusted net debt to equity. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings less cash and cash equivalents.

The Group's adjusted net debt to equity ratio at 31 December was as follows:

'000 AMD	2021	2020
Total liabilities	12,022,327	7,875,770
Less: cash and cash equivalents	(10,549,045)	(6,062,055)
Net debt	1,473,282	1,813,715
Total equity	2,835,637	1,805,472
Net debt to equity ratio at 31 December	0.52	1.00

There were no changes in the Group's approach to capital management during the year.

The CBA sets and monitors capital requirements for the Company.

The Company defines as capital those items defined by statutory regulation as capital for payment organizations. Under the current capital requirements set by the CBA, payment organizations have to maintain a minimum total capital of AMD 100,000 thousand (2020: AMD 100,000 thousand). The Company is in compliance with the minimum total capital requirements as at 31 December 2021 and 2020.

18. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 21.

'000 AMD	31 December 2021	31 December 2020
<i>Non-current liabilities</i>		
Unsecured borrowings from related parties	589,849	123,021
Secured bank loans	-	375,000
	589,849	498,021

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 AMD	Currency	Nominal interest rate	Year of maturity	31 December 2021		31 December 2020	
				Face value	Carrying amount	Face value	Carrying amount
Unsecured borrowings from shareholders	AMD	11%	2024	589,849	589,849	123,021	123,021
Secured bank loan	AMD	13%	2023	-	-	375,000	375,000
Total interest-bearing liabilities				589,849	589,849	498,021	498,021

As at 31 December 2021 secured bank loan is secured by payment processing equipment with a carrying amount of AMD 214,261 thousand (31 December 2020: AMD 204,460 thousand) (see Note 9).

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

'000 AMD	Loans and borrowings	
	2021	2020
Balance at 1 January	498,021	975,878
Changes from financing cash flows		
Proceeds from loans and borrowings	25,000	375,000
Repayment of loans and borrowings	(737,812)	(1,100,890)
Total changes from financing cash flows	(712,812)	(725,890)
Borrowings received from dividends declared	795,066	244,535
Other changes		
Interest expense	45,344	27,272
Interest paid	(35,770)	(23,774)
Balance at 31 December	589,849	498,021

19. Leases

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

(a) Right of use asset

'000 AMD	2021	2020
Balance at 1 January	189,356	252,437
Additions to right of use assets	136,334	-
Depreciation charge for the period	(49,395)	(63,081)
Balance at 31 December	276,295	189,356

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

'000 AMD	2021	2020
Balance at 1 January	212,802	258,638
Changes from financing cash flows		
Additions	136,334	-
Repayment of principal	(50,209)	(45,836)
Total changes from financing cash flows	86,125	(45,836)
Other changes		
Interest expense	21,629	22,195
Interest paid	(21,629)	(22,195)
Balance at 31 December	298,927	212,802

(c) Amounts recognised in profit and loss

'000 AMD	2021	2020
Depreciation of right of use asset	49,395	63,081
Interest on lease liabilities	21,629	22,195
Lease expense for terminal spaces and other short-term leases	486,119	448,438

20. Trade and other payables

'000 AMD	31 December 2021	31 December 2020
Payables of cash collected to operators	9,067,135	5,645,802
Payables to agents	374,396	297,200
Other trade payables	390,572	208,201
Deposited amounts from agents	314,045	322,270
Payables to employees	17,521	10,389
Total trade payables	10,163,669	6,483,862
Prepayments received	374,831	245,706
Accrued expenses	134,800	197,806
Payables to state budget	48,469	600
Total other payables	558,100	444,112
Total trade and other payables	10,721,769	6,927,974
Current	10,567,970	6,830,599
Non-current	153,799	97,375

Payables to operators represent collections made on behalf of the operators and not transferred as at reporting date.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 21.

21. Fair values and risk management

(a) Accounting classifications and fair values

Management estimates that the fair values of all the financial assets and financial liabilities approximate their carrying amounts due to short-term nature of assets and liabilities or proximity to market rates born for long term assets and liabilities.

(b) Financial risk management

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

- credit risk (see 21(b)(ii));
- liquidity risk (see 21(b)(iii));
- market risk (see 21(b)(iv)).

(i) Risk management framework

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Exposure to credit risk

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

'000 AMD	Carrying amount	
	2021	2020
Borrowings given	258,432	11,120
Bank deposit	156,167	-
Trade and other receivables	783,669	650,449
Cash and cash equivalents	6,856,515	3,139,842
	8,054,783	3,801,411

Borrowings given

The Group's policy is to provide borrowings mainly to related parties for which it does not require collateral.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Group's customer base, including the default risk of the industry and country, in which customers operate

Approximately 73% of trade and other receivables represent receivables from payment services and bear no credit risk based on the fact the Group constantly collects cash on behalf of these operators and holds balance of payables from cash collection (see Note 20). As at 31 December 2021 the Group held payables against trade receivables of AMD 531,505 thousand. The Group has recognised expected credit loss of AMD 71,064 thousand against the remaining trade receivable balances.

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The Group does not require collateral in respect of trade and other receivables.

The exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

'000 AMD	Carrying amount	
	2021	2020
Domestic	694,668	649,286
Other CIS countries	89,001	1,163
	783,669	650,449

The exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was as follows:

'000 AMD	Carrying amount	
	2021	2020
Online gambling	307,577	223,541
Telecommunication companies	215,461	302,794
Banks and other financial institutions	97,629	46,139
Utilities	33,822	31,994
Trading	5,336	5,094
Other	123,844	40,887
	783,669	650,449

Cash and cash equivalents and restricted cash

As at 31 December 2021 the Group held cash and cash equivalents and restricted cash in banks of AMD 6,856,515 thousand (2020: AMD 3,139,842 thousand), which represents its credit exposure

on these assets. The credit quality of cash and cash equivalents and restricted cash balances is as follows, based on Moody's ratings:

'000 AMD	Carrying amount	
	2021	2020
- rated from Ba1 to Ba3	4,230,496	181,676
- rated from B1 to B3	390,331	1,302,330
- not rated	2,235,688	1,655,836
	6,856,515	3,139,842

As at 31 December 2021 the Group had cash in transit of AMD 696,112 thousand (2020: AMD 868,761 thousand), which is included in 'not rated' category in the above table. Cash in transit is secured by prepayments received, guarantees and pledged payment processing equipment.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

No impairment allowance per IFRS 9 is recognised on current accounts and cash in transit.

(iii) Liquidity risk

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

Exposure to liquidity risk

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

31 December 2021	Contractual cash flows							
'000 AMD	Carrying amount	Total	On demand	Less than 2 months	2-12 months	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities								
Loans and borrowings	589,849	744,268	32,594	10,216	51,082	61,298	589,077	-
Lease liability	298,927	372,867	-	12,296	64,525	93,289	199,941	2,816
Trade payables	10,163,669	10,163,669	57,246	9,795,598	157,026	29,843	123,956	-
	11,052,445	11,280,804	89,840	9,818,110	272,633	184,430	912,974	2,816

31 December 2020	Contractual cash flows							
	Carrying amount	Total	On demand	Less than 2 months	2-12 months	1-2 years	2-5 years	Over 5 years
'000 AMD								
Non-derivative financial liabilities								
Loans and borrowings	498,021	654,679	-	7,479	40,469	182,981	423,750	-
Lease liability	212,082	269,207	-	12,339	58,555	92,391	94,178	11,744
Trade payables	6,483,862	6,483,862	-	6,162,992	223,495	40,986	56,389	-
	7,193,965	7,407,748	-	6,182,810	322,519	316,358	574,317	11,744

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

(iv) Market risk

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

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group entities. The currencies in which these transactions are primarily denominated are USD, EUR and RUB.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows:

'000 AMD	USD-denominated	EUR-denominated	RUB-denominated	USD-denominated	EUR-denominated	RUB-denominated
	2021	2021	2021	2020	2020	2020
Trade receivables	-	-	81,734	-	-	2,278
Cash and cash equivalents	261,734	128,036	4,028,550	271,358	135,995	610,589
Trade payables	-	-	(137,021)	(76,661)	-	(148,792)
Net exposure	261,734	128,036	3,973,263	194,697	135,995	604,508

The following significant exchange rates have been applied during the year:

in AMD	Average rate		Reporting date spot rate	
	2021	2020	2021	2020
USD 1	503.81	489.31	480.14	522.59
EUR 1	596.65	559.30	542.61	641.11
RUB 1	6.84	6.79	6.42	7.02

Sensitivity analysis

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

'000 AMD	Strengthening	Weakening
	Profit or loss	Profit or loss
31 December 2021		
AMD 10% movement against USD	(26,173)	26,173
AMD 10% movement against EUR	(12,804)	12,804
AMD 10% movement against RUB	(397,326)	397,326
31 December 2020		
AMD 10% movement against USD	(19,470)	19,470
AMD 10% movement against EUR	(13,600)	13,600
AMD 10% movement against RUB	(60,451)	60,451

Interest rate risk

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

Exposure to interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

'000 AMD	Carrying amount	
	2021	2020
Fixed rate instruments		
Financial assets	356,167	11,120
Financial liabilities	(589,849)	(498,021)
	(233,682)	(486,901)

Fair value sensitivity analysis for fixed rate instruments

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

22. Subsidiaries

The subsidiaries of the Group are as follows:

Name	Country of incorporation	Principal activities	Ownership %	
			2021	2020
Tel-Cell Service LLC	Republic of Armenia	Principal activities are provision of advertising space on payment terminals and technical maintenance services for the terminals	100%	100%
Mega Panther LLC	Republic of Armenia	Operations of the company are ceased since 2016	50%	50%

23. Contingencies

(a) Insurance

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

(b) Litigation

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

(c) Taxation contingencies

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

Transfer pricing legislation enacted in the Republic of Armenia starting from 1 January 2021. The legislation is effective for the financial year 2021 and onwards. The local transfer pricing rules are closer to OECD guidelines, but with uncertainty in practical application of tax legislation in certain circumstances.

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

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

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

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

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

24. Related parties

(a) Parent and ultimate controlling party

The Company's parent company is Lendasy Trading ltd. incorporated in Cyprus, which is ultimately controlled by a single individual Volha Kirnitskaya.

No publicly available financial statements are produced by the Company's ultimate parent company.

(b) Transactions with the members of the Board of Directors and the management

(i) Board of Directors and management remuneration

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

'000 AMD	2021	2020
Salaries and bonuses	75,954	66,377

(ii) Transactions with Board of Directors and management

'000 AMD	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2021	2020	2021	2020
Borrowings given	61,000	-	66,900	6,000

(iii) Transactions with owners

'000 AMD	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2021	2020	2021	2020
Loans and borrowings received:				
Shareholders	820,066	416,835	589,849	123,021

Loans and borrowings received are at 11% and repayable in 2024.

25. Basis of measurement

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

26. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group (see 26(a)(iii)).

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(b) Revenue

Information about the Group's accounting policies relating to contracts with customers is provided in Note 5.

(c) Finance income and costs

The Group's finance income and finance costs include:

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

Interest income or expense is recognised using the effective interest method..

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

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

(d) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

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

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss.

(e) Short-term employee benefits

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

(f) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

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

(h) Property and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of significant items of property and equipment for the current and comparative periods are as follows:

- payment processing equipment	8 years
- computers and office equipment	1-5 years
- fixtures and fittings	5 years
- motor vehicles	5-10 years
- leasehold improvement	5-20 years

(ii) Classification and subsequent measurement

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

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

Financial assets – Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

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

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

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

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI criterion), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost

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

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Modification of financial assets and financial liabilities

Financial assets

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

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

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

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

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

Financial liabilities

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

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

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms.

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

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

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

(iv) Derecognition

Financial assets

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

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

Financial liabilities

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

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

(v) Offsetting

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

(k) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of Armenian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(l) Impairment

(i) Non-derivative financial assets

Financial instruments

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

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

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

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

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) Leases

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

(i) As a lessee

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

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

(ii) As a lessor

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

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

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

27. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

(a) Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that there will be no uncompleted contracts before the amendments become effective.

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

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

There will be no impact from adoption of the amendments.

(c) Other standards

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

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
- Annual Improvements to IFRS Standards 2018-2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 *Insurance Contracts and amendments to IFRS 17 Insurance Contracts*.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).