Intelligent Management LLC

Consolidated Financial Statements
For the year ended 31 December 2025
and Independent Auditor's Report

Contents

Independent Auditor’s Report	3
Consolidated Statement of Financial Position	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9

BDO

Tel: +374 60 528899
E-mail: bdo@bdoarmenia.am
www.bdoarmenia.am

23/6, Davit Anhaght Str.,
5th Floor, office 7
Yerevan, Armenia

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Intelligent Management LLC

Opinion

We have audited the consolidated financial statements of Intelligent Management LLC (the Company) and its subsidiaries (together - the Group), which comprise the consolidated statement of financial position as of 31 December 2025, and the consolidated statement of profit or loss, and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2025 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 financial statements in the Republic of Armenia and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

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 for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters. Our description of how each of the matters identified below was addressed in the course of our audit is presented in that context.

Key Audit Matter: Goodwill Valuation

Goodwill Valuation

The goodwill recognized in the Group's statement of financial position as at 31 December 2025 is subject to an annual impairment test. Management applied a discounted cash flow model to determine the recoverable amount.

The valuation of goodwill requires significant professional judgment, particularly in relation to assumptions regarding future cash flow projections, the discount rate, the terminal growth rate, and EBITDA. Given the materiality of the balance of goodwill in the financial statements and the level of estimation uncertainty involved, we have considered this matter to be a Key Audit Matter.

The procedures we performed included:

- evaluating the design and implementation of controls over management's valuation process,
- assessing the appropriateness of the methodology applied by management in the discounted cash flow model,
- evaluating the consistency of the terminal growth rate with market and macroeconomic forecasts,
- comparing forecasted revenues and EBITDA to historical performance and approved budgets,
- reviewing the sensitivity analysis of key assumptions,
- checking the mathematical accuracy of the data used,
- assessing whether the disclosures in the financial statements are in compliance with IFRS requirements.

Based on the procedures performed, we concluded that the key assumptions and approaches applied by management in the valuation of goodwill are reasonable.

Responsibilities of the management and those charged with governance for the consolidated financial statements

Management of the Group is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS accounting standards, 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 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.

Auditor's Responsibility 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 auditor's report that includes our opinion. Reasonable assurance is 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 arise from fraud and 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 skepticism 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 going concern basis of accounting and, based on the obtained audit evidence, 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 auditor's 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 auditor's 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 important 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 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 for 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.

16 April 2026
"BDO Armenia" CJSC

Vahagn Sahakyan, FCCA
Managing partner

Sergey Yakovlev, FCCA
Engagement partner

Intelligent Management LLC
Consolidated Statement of Financial Position
31 December 2025

	Note	31 Dec 2025 AMD'000	31 Dec 2024 AMD'000
Assets			
Cash and cash equivalents	13	336,065	42,568
Bank deposits	18	2,104,295	1,710,879
Investments in securities		4,642,842	4,603,115
Trade and other receivables	21	417,643	353,414
Reinsurance contract assets	19	3,067,857	1,118,077
Borrowings provided		720,681	424,203
Inventories	20	131,448	129,704
Other assets		122,269	40,385
Prepayments relating to non-current assets		23,870	8,758
Property, plant and equipment	9	4,863,471	4,957,771
Right of use assets		1,980,495	2,130,467
Intangible assets	10	528,432	368,367
Goodwill		1,950,839	1,950,839
Deferred tax asset		337,247	248,690
Total assets		**21,227,454**	**18,087,237**
Equity			
Share capital		6,250	6,250
Accumulated loss		(1,440,305)	(1,133,027)
Additional paid-in capital		2,698,911	2,698,911
Reserve and surplus		557,586	388,865
Non-controlling interest		90,611	334,621
Total equity		**1,913,053**	**2,295,620**
Liabilities			
Trade and other payables	22	978,678	928,732
Income tax liability		60,168	-
Refund liability		158,408	217,165
Credit letter		-	-
Repurchase agreements with banks		3,476,711	2,245,718
Reinsurance contract liabilities	19	83,700	27,600
Insurance contract liabilities	19	4,074,909	3,130,216
Other liabilities		310,827	701,930
Loans and borrowings	16	4,751,877	6,199,200
Liabilities on issued bonds	23	2,991,828	-
Lease liabilities	11	2,426,704	2,340,366
Grants relating to income		591	690
Total liabilities		**19,314,401**	**15,791,617**
Total equity and liabilities		**21,227,454**	**18,087,237**

These consolidated financial statements from pages 5-47 were approved by management on 16 April 2026 and were signed on its behalf by:

Arevshat Meliksetyan
Director

FOR DOCUMENTS
01330894

Masis Vardanyan
Chief Financial Officer

	Note	2025 AMD'000	2024 AMD'000
Revenue	5	16,793,774	13,522,294
Cost of sales	8	(10,640,415)	(8,125,655)
Gross Profit		**6,153,359**	**5,396,639**
Administrative expenses	8	(11,450,635)	(8,165,774)
Distribution expenses	8	(108,193)	(103,963)
Other income	6	5,700,945	2,628,987
Other expenses	8	(540,363)	(506,493)
Loss from operations		**(244,887)**	**(750,604)**
Finance income		687,303	544,410
Finance cost		(1,048,693)	(755,386)
Foreign exchange (loss)/gain, net		(33,568)	46,940
Loss before tax		**(639,845)**	**(914,640)**
Income tax benefit	7	88,557	132,223
Loss for the year		**(551,288)**	**(782,417)**
Other comprehensive income		200,279	55,422
Total comprehensive loss		**(351,009)**	**(726,995)**
Total comprehensive loss attributable to:			
Owners of the parent		(106,999)	(589,097)
Non-controlling interest		(244,010)	(137,898)

	Share capital	Accumulated loss	Share premium	Reserve and revaluation surplus	Non-controlling interest	Total
	AMD'000	AMD'000	AMD'000	AMD'000		AMD'000
As of 31 December 2024	**6,250**	**(1,133,027)**	**2,698,911**	**388,865**	**334,621**	**2,295,620**
Loss for the year	-	(307,278)	-	200,279	(244,010)	**(351,009)**
Revaluation of property, plant and equipment	-	-	-	(31,558)	-	**(31,558)**
As of 31 December 2025	**6,250**	**(1,440,305)**	**2,698,911**	**557,586**	**90,611**	**1,913,053**
As of 31 December 2023	**6,250**	(543,930)	2,698,911	2,842	472,519	**2,295,592**
Loss for the year	-	(589,097)	-	**-**	(137,898)	**(726,995)**
Revaluation of property, plant and equipment	-	-	-	386,023	-	**386,023**
As of 31 December 2024	**6,250**	**(1,133,027)**	**2,698,911**	**388,865**	**334,621**	**2,295,620**

	2025 AMD'000	2024 AMD'000
Cash flows from operating activities		
Cash received from medical services	5,346,183	4,354,113
Cash received from sales of medicine	281,299	340,899
Received interest	475,769	321
Insurance premiums received	12,078,314	11,145,963
Paid reinsurance premiums	(3,411,463)	(3,597,109)
Claims paid	(6,925,700)	(4,587,124)
Reinsurers' share in claims paid	89,832	67,615
Received subrogation amounts	30,137	3,202
Payments to suppliers	(292,910)	(268,032)
Payments to intermediaries	(279,049)	(440,814)
Other payments	(235,527)	163,365
Payments for supply of medicine and other materials	(741,629)	(575,606)
Payments for services	(839,175)	(591,072)
Payments to employees and on their behalf	(4,290,089)	(3,343,971)
Payments of income tax	-	(5,254)
Payments of tax, other than income tax	(1,319,952)	(1,081,965)
Donated assets	(10,832)	(14,369)
Net cash flows (used in)/from operating activities	**(44,862)**	**1,570,162**
Cash flows from investing activities		
Receipts from sales of non-current assets	1,536	9,209
Payments for acquisition of non-current assets	(267,737)	(838,356)
Deposits repaid, net	(217,557)	(202,140)
Investment securities purchased	711,505	(3,308,544)
Property and equipment and intangible assets purchased	(335,702)	(530,381)
Borrowings provided, net	(3,650)	(458)
Net cash flows used in investing activities	**(111,605)**	**(4,870,671)**
Cash flows from financing activities		
Loans and leasing principal amounts paid	(3,325,043)	(426,082)
Lease liabilities paid	(450,391)	(312,677)
Interest paid on loans, lease liabilities and letters of credit	(760,576)	(378,690)
Letters of credit paid	-	(92,602)
Loans and borrowings received	5,009,532	4,271,204
Net cash flows from financing activities	**473,522**	**3,061,154**
Net increase/(decrease) in cash and cash equivalents	**317,055**	**(239,355)**
Exchange (losses)/gains on cash and cash equivalents	(23,558)	10,916
Cash at the beginning of the year	42,568	271,007
Cash at the end of the year (Note 13)	**336,065**	**42,568**

Note	Page
1. Reporting entity	11
2. Basis of preparation	12
3. Functional and presentation currency	14
4. Significant accounting estimates and judgments	14
5. Revenue	15
6. Other income	16
7. Income tax	17
8. Expenses	18
9. Property and equipment	19
10. Intangible assets	20
11. Leases	21
12. Deferred tax	21
13. Cash and cash equivalents	22
14. Equity	22
15. Capital management	22
16. Loans and borrowings	23
17. Investments in securities	23
18. Bank deposits	23
19. Insurance and reinsurance	24
20. Inventories	31
21. Trade and other receivables	31
22. Trade and other payables	31
23. Issued bonds	32
24. Fair values and risk management	32
25. Contingencies	35
26. Related parties	36
27. Basis of measurement	36
28. Significant accounting policies	36

1. Reporting entity

(a) Armenian business environment

The Group's operations are located in Armenia. Consequently, the Group is exposed to the effects of changes of economic and financial markets of Armenia.

Legal, tax, and legislative systems continue to develop being subject to varying interpretations and frequent changes, which among other legal and financial obstacles creates additional complications for organizations operating in Armenia.

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

The level of business activity in the Russian Federation also has a significant impact on the economic environment of the Republic of Armenia, as there are significant flows of funds from the Russian Federation to the Republic of Armenia. Therefore, the political tension in the region, international sanctions, stock market instability, acute inflation and other risks facing the Russian Federation may have a negative impact on the RA (Republic of Armenia) economy.

The economy of Armenia has successfully withstood ongoing global turbulence and recorded strong macroeconomic performance in both 2025 and 2024, primarily driven by tourism, the relocation of a number of companies to Armenia, and a significant increase in remittances. All of these factors contributed to a 5.2% growth in Gross Domestic Product (GDP) in the first quarter of 2025.

The Government's 2021–2026 economic program aims to develop an export-oriented and investment-driven growth model through comprehensive reform efforts.

Such an environment has a significant impact on the Group's operations and its financial situation. The Group undertakes the necessary activities to ensure the stability of its operations. Nevertheless, given the unpredictable nature of events, the Management does not have the ability to give a reliable assessment of the impact such circumstances will have on the company's financial position for the coming years.

The future effects of the current economic situation and the actions to be taken by the Government are difficult to predict, and the Group's management's current expectations and estimates may differ from actual results.

(b) Organisation and operations

(c) Organisation and operations

Intelligent Management LLC
Founded in 2022, registered 22 November 2022 (Reg. No. 271.110.1277977), address: Yerevan, 1 Amiryan St. As of 2025, the Company's sole participant is Arevshat Meliqsetyan.

Landlord LLC
Founded in 2023, registered on 4 May 2023 (Reg. No. 271.110.1315490), address: Yerevan, 17 Gandzsar St. As of the end of 2025 and 2024, 100% of the Company's ownership interest was held by "Intelligent Management" LLC (100%). The Company owned "Valem" LLC, which was merged into the Company in 2025 (reorganization by way of merger) and subsequently ceased operations. The Company's assets are being used for the establishment of a new branch of a medical center.

Premium Consultant LLC
Founded in 2023, registered 1 February 2023 (Reg. No. 286.110.1292492). Shareholders in 2025 and 2024 year end: 50% Intelligent Management LLC, 50% Arevik Mkhitaryan. The entity provides accounting services.

Arinterlev CJSC
Healthcare provider (i.e. Vardanants Center for Innovative Medicine). Intelligent Management LLC holds 61.9% of its charter as at 31 December 2025 and 2024.

EFES Insurance LLC
Insurance company is a 100% subsidiary of Intelligent Management LLC as at 31 December 2025 and 2024.

2. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out in Note 27. These policies have been applied consistently to all periods presented, unless otherwise stated.

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

Monetary amounts have been rounded to the nearest thousand, unless otherwise stated.

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards (IAS), and related interpretations (collectively, IFRS).

The preparation of financial statements in accordance with IFRS requires the use of significant accounting estimates and judgments. The areas involving a higher degree of judgment or complexity, as well as their impact, are disclosed in Note 4.

Measurement basis

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

Changes in significant accounting policies

New standards, interpretations, and amendments that have come into effect

IAS 21.8 — A currency is exchangeable into another currency if an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

IAS 21.19A — An entity shall estimate the spot exchange rate at the measurement date when a currency is not exchangeable into another currency at that date (as described in paragraphs 8, 8A–8B and A2–A10). In estimating the spot exchange rate, the entity's objective is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

IAS 21.57A — When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency (see paragraph 19A), it shall disclose information that enables users of its financial statements to understand how the lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows. To achieve this objective, the entity shall disclose information about:
a) the nature and financial effects of the inability to exchange the currency into another currency,

b)the spot exchange rate(s) used,
c) the estimation process, and
d) the risks to which the entity is exposed because of the inability to exchange the currency into another currency.

a) New standards, interpretations and amendments effective from 1 January 2025

The following amendments are effective for periods beginning on or after 1 January 2025:

- Lack of Exchangeability (IAS 21 The Effects of Changes in Foreign Exchange Rates (Amendment))

On 15 August 2023, the IASB issued *Lack of Exchangeability*, which amends IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The amendments require entities to assess when a currency is exchangeable into another currency and when it is not. Under the amendments, an entity is required to estimate the spot exchange rate if it concludes that a currency is not exchangeable into another currency.

These amendments have not had any impact on the Company's financial statements.

New standards, interpretations and amendments not yet effective

IAS 8.30 If an entity has not applied a new IFRS that has been issued but is not yet effective, it shall disclose:
(a) that fact; and
(b) known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.

IAS 8.31 In accordance with IAS 8.30, the following disclosures shall be considered:

(a) the title of the new IFRS;
(b) the nature of the proposed change or changes in accounting policy;
(c) the date by which the IFRS is required to be adopted;
(d) the date by which the entity intends to initially apply the IFRS; and
(e) either:
(i) a discussion of the expected impact; or
(ii) if that impact is unknown or cannot be reasonably estimated, a statement to that effect.

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations issued by the IASB that will become effective in future reporting periods; however, the Company has elected not to adopt them early.

The following amendments become effective for annual periods beginning on or after 1 January 2026:

- ***Classification and Measurement of Financial Instruments*** *(Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures)*
- ***Contracts Referencing Nature-dependent Electricity*** *(Amendments to IFRS 9 and IFRS 7)*

The following amendments become effective for annual reporting periods beginning on or after 1 January 2027:

- ***IFRS 18 Presentation and Disclosure in Financial Statements***
- ***IFRS 19 Subsidiaries without Public Accountability: Disclosures***

The Company is currently assessing the impact of these new accounting standards and amendments.

IFRS 18, issued by the International Accounting Standards Board (IASB) in April 2024, replaces IAS 1 Presentation of Financial Statements and will result in significant changes to IFRS accounting standards, including IAS 8 Basis of Preparation of Financial Statements (previously Accounting Policies, Changes in Accounting Estimates and Errors). Although IFRS 18 will not affect the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant impact on the presentation and disclosure of certain items. These changes include classification and subtotals in the statement of profit or loss, aggregation/disaggregation and labelling of information, as well as disclosure of management-defined performance measures.

The Company does not expect to be able to adopt IFRS 19.

These amendments have not had any impact on the Group's financial statements.

3. Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram ("AMD"), which is the Group's 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. Significant accounting 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 within next financial year is included in the following notes:

- Note 2 – assumptions relating to Group's ability to continue as a going concern
- Note 11 – determination of lease term and incremental borrowing rate;
- Note 9 – useful lives of property and equipment;
- Note 10 – key assumptions in the testing of non-current assets for impairment;
- Note 21 – measurement of ECL allowance for trade receivables: key assumptions in determining the weighted-average loss rate;
- Note 12 – non-recognition of deferred tax assets;

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.

Further information about the assumptions made in measuring fair values is included in Note 23 – fair values and risk management.

5. Revenue

	2025 AMD'000	2024 AMD'000
Revenue from medical services		
Paid by customers	2,646,868	1,846,127
Paid by insurance companies	669,827	614,794
Under the state coverage	555,588	424,283
Within the framework of social packages	65,225	38,478
Total revenue from medical services	**3,937,508**	**2,940,037**
Revenue from the sale of medicine		
Paid by insurance companies	136,064	173,496
Paid by customers	76,085	100,676
Under the state coverage	17,540	19,596
Total revenue from the sale of medicine	**229,689**	**293,768**
Revenue from insurance		
Assistance travel insurance	724,418	515,062
Accident insurance	774,943	593,828
Health insurance	5,002,585	4,292,858
Motor and voluntary MTPL insurance	1,936,650	1,287,302
Aircraft hull and aircraft liability insurance	145,085	110,291
Cargo insurance	74,806	130,414
Property insurance	3,637,651	3,095,784
General liability insurance	304,927	234,933
Total revenue from insurance	**12,601,065**	**10,260,472**
Revenue from services rendered	**822**	**3,479**
Revenue from sale of other goods	**24,690**	**24,538**
Total revenue	**16,793,774**	**13,522,294**

6. Other income

2025	Reinsurer's share in incurred claims and other expenses	Amortisation of reinsurance acquisition cash flows	Reinsurers' share in changes to liabilities for incurred claims	Other	Amounts recovered from reinsurer
Voluntary health reinsurance	3,796,300	63,372	236,760	-	**4,096,432**
Accident insurance	55,781	(11,963)	51,193		**95,011**
Assistance (Travel) insurance	576	1,166	701	-	**2,443**
Motor and voluntary MTPL insurance	1,053,735	66,493	39,932	-	**1,160,160**
Aircraft hull and aircraft liability insurance	-	-	-	-	**-**
Cargo insurance	63,537	(57,532)	4,463	-	**10,468**
Property insurance	90,442	17,352	25,265	-	**133,059**
General liability insurance	4,185	4,870	14,641	-	**23,696**
Income from grants and donations	-	-	-	179,676	**179,676**
Total amounts recoverable from reinsurers	**5,064,556**	**83,758**	**372,955**	**179,676**	**5,700,945**

2024	Reinsurer's share in incurred claims and other expenses	Amortisation of reinsurance acquisition cash flows	Reinsurers' share in changes to liabilities for incurred claims	Other	**31 December 2024** Amounts recovered from reinsurer
Assistance (Travel) insurance	114,820	38,581	17,192	-	**170,593**
Accident insurance	1,209,334	106,807	286,830	-	**1,602,971**
Health insurance	432,101	(87,341)	129,877	-	**474,637**
Motor and voluntary MTPL insurance	-	203	-	-	**203**
Aircraft hull and aircraft liability insurance	467	(2,961)	55,683	-	**53,189**
Cargo insurance	229,617	(8,419)	(9,421)	-	**211,777**
Property insurance	3,289	4,419	(10,207)	-	**(2,499)**
General liability insurance	-	388	(2,855)	-	**(2,467)**
Income from grants and donations	-	-	-	120,583	**120,583**
					-
Total amounts recoverable from reinsurers	**1,989,628**	**51,677**	**467,099**	**120,583**	**2,628,987**

7. Income tax

Amounts recognised in profit or loss

The Group's applicable tax rate is the income tax rate of 18% for Armenian companies (2024: 18%).

	2025	**2024**
	AMD'000	**AMD'000**
Current tax expense	-	11,596
Deferred tax recovery	88,557	120,627
Total tax expense	**88,557**	**132,223**

Effective tax reconciliation	**2025**	**Effective tax rate (%)**	**2024**	**Effective tax rate (%)**
Profit before tax	**(639,845)**		**(914,640)**	
Income tax at effective tax rate	(115,172)	18%	(164,635)	18%
Foreign exchange rate difference	(2,989)	(0%)	(10,681)	(1%)
Effect of non-taxable income / non-deductible expenses	29,605	5%	43,093	5%
Income tax expense and effective tax rate	**(88,557)**	**(14%)**	**(132,223)**	**(14%)**

8. Expenses

	Total		Cost of Sales		Administrative		Distribution		Other	
AMD'000	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**
Payments to employees	4,344,643	3,983,475	2,623,958	1,827,551	1,657,821	2,093,060	62,864	62,864	-	-
Depreciation (amortization)	962,048	828,933	670,055	591,460	291,875	237,355	118	118	-	-
Medicine, medical supplies, other material expenses	580,238	404,870	580,238	404,870	-	-	-	-	-	-
Cost of medicine sold	191,899	237,482	191,899	237,482	-	-	-	-	-	-
Office expenses and utilities	190,440	214,528	49,697	49,697	140,743	139,979	-	-	-	24,852
Lunch expenses	147,371	110,480	-	-	-	-	-	-	147,371	110,480
Expenses under trilateral cooperation agreement	-	74,545	-	-	-	-	-	-	-	74,545
External laboratory services	95,079	97,027	95,079	97,027	-	-	-	-	-	-
Bank and insurance expenses	49,758	50,455	-	-	49,758	41,807	-	-	-	8,648
Audit and consulting expenses	21,389	61,469	-	-	43,989	35,758	-	-	(22,600)	25,711
Marketing and advertising expenses	98,204	114,761	-	-	-	-	49,102	33,100	49,102	81,661
Disposal expenses	8,437	27,440	-	-	-	-	-	-	8,437	27,440
Donated assets	38,478	19,721	-	-	-	-	-	-	38,478	19,721
Allowances of receivables	10,356	12,591	-	-	-	-	-	-	10,356	12,591
Business trip and representation expenses	3,496	14,455	-	-	9,933	6,308	-	-	(6,437)	8,147
Tax expenses	5,834	25,675	1,645	1,645	22,279	2,546	-	-	(18,090)	21,484
Assistance (Travel) insurance	19,958	323,408	19,958	323,408	-	-	-	-	-	-
Accident insurance	126,003	196,066	126,003	196,066	-	-	-	-	-	-
Health insurance	3,894,401	2,894,430	3,894,401	2,894,430	-	-	-	-	-	-
Motor and voluntary MTPL insurance	2,079,373	1,077,357	2,079,373	1,077,357	-	-	-	-	-	-
Aircraft hull and aircraft liability insurance	137	735	137	735	-	-	-	-	-	-
Cargo insurance	8,116	73,029	8,116	73,029	-	-	-	-	-	-
Property insurance	244,368	340,896	244,368	340,896	-	-	-	-	-	-
General liability insurance	13,296	9,801	13,296	9,801	-	-	-	-	-	-
Allocation of reinsurance premiums	7,931,389	5,350,386	-		7,931,389	5,350,386	-		-	
Fixed assets maintenance	75,962	45,055	-	-	-	-	-	-	75,962	45,055
Communications	23,552	16,393	-	-	-	-	-	-	23,552	16,393
Net loss from sale of property and equipment	272	4,202	-	-	-	-	-	-	272	4,202
Security	1,674	3,427	-	-	-	-	-	-	1,674	3,427
Membership fees	5,380	5,677	-	-	-	-	-	-	5,380	5,677
Charity	10,000	70	-	-	-	-	-	-	10,000	70
Expenses of short term and low value assets leases	-	-	-	-	-	-	-	-	-	-
Other	1,558,055	283,045	42,192	201	1,302,848	258,574	(3,891)	7,881	216,905	16,388
Total	**22,739,606**	16,901,884	**10,640,415**	**8,125,655**	**11,450,635**	**8,165,773**	**108,193**	**103,963**	**540,362**	**506,493**

9. Property and equipment

AMD'000	Leasehold improvement	Buildings	Land	Medical equipment and instruments	Computers and other equipment	Furniture and fixtures	Vehicles	Other	Total
Cost									
1 January 2024	**459,814**	**1,076,286**	**10,307**	**1,815,001**	**442,005**	**136,879**	**135,688**	**48,872**	**4,124,851**
Additions	860,636	333,313	-	1,199,071	91,526	279,384	34,189	53,179	**2,851,298**
Disposals	(64,934)	-	-	(2,551)	(1,227)	(14,505)	(12,500)	-	**(95,718)**
31 December 2024	**1,255,516**	**1,409,599**	**10,307**	**3,011,520**	**532,305**	**401,758**	**157,377**	**102,051**	**6,880,433**
1 January 2025	**1,255,516**	**1,409,599**	**10,307**	**3,011,520**	**532,305**	**401,758**	**157,377**	**102,051**	**6,880,433**
Additions	40,561	-	-	453,526	208,163	68,462	-	9,659	**780,372**
Disposal	(61,362)	-	-	(8,012)	(11,060)	(2,931)	-	-	**(83,365)**
31 December 2025	**1,234,715**	**1,409,599**	**10,307**	**3,457,034**	**729,408**	**467,289**	**157,377**	**111,710**	**7,577,440**
Accumulated depreciation									
1 January 2024	**26,309**	**126,123**	**-**	**939,651**	**194,855**	**54,048**	**7,009**	**17,808**	**1,365,803**
Depreciation for the year	47,238	810	-	365,267	97,745	32,337	18,938	947	**563,283**
Disposals	-	-	-	(1,804)	(117)	(2,390)	(2,113)	-	**(6,424)**
31 December 2024	**73,547**	**126,933**	**-**	**1,303,114**	**292,483**	**83,995**	**23,834**	**18,755**	**1,922,662**
1 January 2025	**73,547**	**126,933**	**-**	**1,303,114**	**292,483**	**83,995**	**23,834**	**18,755**	**1,922,662**
Depreciation for the year	109,748	-	-	503,375	107,504	63,166	8,389	2,059	**794,241**
Disposals	(99)	-	-	(1,296)	(404)	(1,122)	(13)	-	**(2,934)**
31 December 2025	**183,196**	**126,933**	**-**	**1,805,193**	**399,583**	**146,039**	**32,210**	**20,814**	**2,713,969**
Net book value									
31 December 2023	**433,505**	**950,163**	**10,307**	**875,350**	**247,150**	**82,831**	**128,679**	**31,064**	**2,759,048**
31 December 2024	**1,181,969**	**1,282,666**	**10,307**	**1,708,406**	**239,822**	**317,763**	**133,543**	**83,296**	**4,957,771**
31 December 2025	**1,051,519**	**1,282,666**	**10,307**	**1,651,841**	**329,825**	**321,250**	**125,167**	**90,896**	**4,863,471**

(a) Security

At 31 December 2025 properties with a carrying amount of AMD 1,902,458 thousand (2024: AMD 1,497,501 thousand) are pledged to secure bank loans.

10. Intangible assets

AMD'000	Software	Total
Cost		
Balance at 31 December 2023	**184,993**	**184,993**
Additions	273,281	273,281
Disposals	(16,721)	(16,721)
Balance at 31 December 2024	**441,553**	**441,553**
Additions	252,191	252,191
Disposals	(11,692)	(11,692)
Balance at 31 December 2025	**682,052**	**682,052**
Amortization		
Balance at 31 December 2023	**(49,796)**	**(49,796)**
Depreciation charge	(40,110)	(40,110)
Disposals	16,720	16,720
Balance at 31 December 2024	**(73,186)**	**(73,186)**
Depreciation charge	(92,070)	(92,070)
Disposals	11,636	11,636
Balance at 31 December 2025	**(153,620)**	**(153,620)**
Carrying amount		
At 31 December 2023	**135,197**	**135,197**
At 31 December 2024	**368,367**	**368,367**
At 31 December 2025	**528,432**	**528,432**

Impairment testing

As of 31 December 2025

During the year ended 31 December 2025, the equity value of Arinterlev CJSC: *Vardanants Center for Innovative Medicine* was determined using a discounted cash-flow (DCF) model to assess the recoverable amount of the business and the proportional value of Amber Capital's 26.76% minority interest.

Key assumptions used in discounted cash-flow projections

(i) Discount rate

A post-tax nominal discount rate of **15.28%** (AMD-denominated) was applied. The rate was derived from a USD-based WACC adjusted for Armenia's inflation differential and includes country risk, small-company size premium, and sector leverage assumptions. The applied range of **14.5–16.0%** is considered reasonable for a private healthcare provider.

Terminal value growth rate

Cash flows for 2026–2031 were extrapolated into perpetuity using a nominal long-term growth rate of **2.0%**, consistent with inflation plus modest real growth. The terminal value was computed using the Gordon Growth Model and discounted to 31 December 2025.

(ii) Budgeted EBITDA margins

The forecasts were based on historical performance indicators and management's plans.

According to the projections, revenue is expected to increase to AMD 7,771,657 thousand by 2031, while EBITDA margins are expected to improve to 17.8%, in line with the stabilization of efficiency improvements.

(iii) Sensitivity to changes in assumptions

A **0.5 pp increase** in discount rate or **0.5 pp reduction** in terminal growth would each lower enterprise value by roughly **2-3 %**. Within reasonable parameters (WACC 14–17%, g 1–3%), enterprise value ranges **AMD 6.5–8.5 billion**, implying equity of **AMD 5.1-6.5 billion**. The valuation remains stable within these ranges, demonstrating **moderate sensitivity and overall robustness**.

11. Leases

Right-Of-Use Assets Note	2025 AMD'000	2024 AMD'000
Balance as at 1 January	**2,130,467**	**1,735,862**
Additions	383,690	610,674
Depreciation	(533,662)	(216,069)
Balance as at 31 December	**1,980,495**	**2,130,467**

Lease Liability	2025 AMD'000	2024 AMD'000
Balance as at 1 January	**2,340,366**	**1,782,075**
Additions	174,828	629,420
Interest expense	233,837	233,837
Payments	(322,327)	(304,966)
Balance as at 31 December	**2,426,704**	**2,340,366**

12. Deferred tax

AMD'000	1-Jan-25	(Charged)/credited to profit or loss	31-Dec-25
Tax effect of temporary differences			
Property, plant and equipment	167,846	21,267	189,113
Unused vacation days provision	27,539	17,354	44,893
Right of use asset	(296,686)	6,746	(289,940)
Lease liability	334,907	47,046	381,953
Cash	(21)	(64)	(85)
Deposits in banks	(2,182)	(216)	(2,398)
Investment securities	(10,892)	(85)	(10,977)
Insurance contract assets	(4,934)	3,044	(1,890)
Reinsurance contract assets	6,097	8,359	14,456
Other assets	(44)	(66)	(110)
Insurance contract liabilities	(17,076)	(9,343)	(26,419)
Other liabilities	(54,221)	76,231	22,010
Tax loss carry forwards	98,359	(81,716)	16,642
Net deferred tax asset	**248,690**	**119,398**	**337,247**

AMD'000	**1-Jan-24**	**(Charged)/credited to profit or loss**	**31-Dec-24**
Tax effect of temporary differences			
Property, plant and equipment	5,677	162,169	167,846
Unused vacation days provision	29,151	(1,612)	27,539
Right of use asset	(303,432)	6,746	(296,686)
Lease liability	320,774	14,133	334,907
Cash	(338)	317	(21)
Deposits in banks	(634)	(1,548)	(2,182)
Investment securities	330	(11,222)	(10,892)
Insurance contract assets	(4,462)	(472)	(4,934)
Reinsurance contract assets	(9,461)	15,558	6,097
Other assets	(152)	108	(44)
Insurance contract liabilities	11,452	(28,528)	(17,076)
Other liabilities	22,495	(76,716)	(54,221)
Tax loss carry forwards	56,664	41,695	98,359
Net deferred tax asset	**128,063**	**120,627**	**248,690**

13. Cash and cash equivalents

	2025	**2024**
	AMD'000	**AMD'000**
Cash in bank	333,755	39,641
Cash on hand	2,310	2,850
Cash in transit	-	77
	336,065	**42,568**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 24.

14. Equity

(a) Share capital

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

(b) Dividends

No dividends were declared and paid during 2025 and 2024 periods. No dividends were proposed after 31 December 2025 and up to the date these consolidated financial statements were authorised.

15. Capital management

The Group has no formal policy for capital management, but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs.

The Group is not subject to externally imposed capital requirements.

16. 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 24.

	Carrying value 2025 AMD'000	Carrying value 2024 AMD'000
Collateral guaranteed	4,751,877	6,019,200
Non collateral guaranteed	-	180,000
Total loans and Credit letter	**4,751,877**	**6,199,200**

17. Investments in securities

In thousand Armenian drams	31 December 2025	31 December 2024
Investment securities measured at FVOCI		
RA government bonds	904,240	2,228,592
Total investment securities measured at FVOCI	**904,240**	**2,228,592**

Investment securities measured at FVOCI pledged under repurchase agreements	31 December 2025	31 December 2024
RA government bonds	3,738,602	2,374,523
Total investment securities measured at FVOCI pledged under repurchase agreements	**3,738,602**	**2,374,523**

	31 December 2025	31 December 2024
	Stage 1	**Stage 1**
ECL allowance at 1 January	**9,321**	615
Net remeasurement of credit loss allowance	(480)	8,706
Balance at 31 December	**8,841**	**9,321**

	31 December 2025		31 December 2024	
	%	**Maturity**	**%**	**Maturity**
RA government bonds	8-12.5	2026-2052	9-12.5	2026-2052

18. Bank deposits

AMD'000	31 դեկտեմբերի 2025թ.	31 դեկտեմբերի 2024թ.
Deposits in banks	2,108,949	1,715,913
Credit loss allowance	(4,654)	(5,034)
Total deposits in banks	**2,104,295**	**1,710,879**
ECL allowance at 1 January	5,034	10,098
Net remeasurement of credit loss allowance	(380)	-5,064
Balance at 31 December	**4,654**	**5,034**

19. Insurance and reinsurance

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 24.

Insurance contracts issued	**31 December 2025**		**31 December 2024**	
		Net		**Net**
In thousand Armenian drams	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Assistance (Travel) insurance	-	197,504	-	93,586
Accident insurance	-	288,345	-	182,649
Health insurance	-	1,466,495	-	1,363,369
Motor and voluntary MTPL insurance	-	759,046	-	642,018
Aircraft hull and aircraft liability insurance	-	13,689	-	93,380
Cargo insurance	-	2,073	-	66,976
Property insurance	-	1,263,750	-	625,876
General liability insurance	-	84,007	-	62,362
Total insurance contracts issued	**-**	**4,074,909**	**-**	**3,130,216**

Reinsurance contracts held	**31 December 2025**		**31 December 2024**	
		Net		**Net**
In thousand Armenian drams	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Assistance (Travel) insurance	(33,475)	-	(15,166)	-
Accident insurance	-	23,595	(51,194)	-
Health insurance	(1,431,684)	-	(290,312)	-
Motor and voluntary MTPL insurance	(690,463)	-	(568,569)	-
Aircraft hull and aircraft liability insurance	-	56,636	-	27,600
Cargo insurance	-	3,469	(54,162)	-
Property insurance	(915,531)	-	(131,498)	-
General liability insurance	(7,049)	-	(7,177)	-
Total reinsurance contracts held	**(3,078,202)**	**83,700**	**(1,118,078)**	**27,600**

Insurance contracts

The Company disaggregates information to provide disclosure in respect of major product lines separately. This disaggregation has been determined based on how the Company is managed. The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

Voluntary health insurance	**31 December 2025**					**31 December 2024**				
	Liabilities for remaining coverage		**Liabilities for incurred claims**		**Total**	**Liabilities for remaining coverage**		**Liabilities for incurred claims**		**Total**
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**		**Excluding loss component**	**Loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**	
Net insurance contract liabilities at 1 January	752,777	21,793	554,046	34,755	1.363.371	266,618	1,004	123,310	(12,357)	378,575
Insurance revenue	(5,002,585)	-	-	-	**(5,002,585)**	(4,292,857)	-	-	-	(4,292,857)
Insurance service expenses	**117,594**	**110,355**	**4,814,948**	**(4,303)**	**5,038,594**	**102,400**	**20,789**	**3,960,080**	**47,112**	**4,130,381**
Incurred claims and other expenses	-	-	5,043,858	-	5,043,858	-	-	3,576,916	-	3,576,916
Amortisation of insurance acquisition cash flows	117,594	-	-	-	117,594	102,400	-	-	-	102,400
Losses on onerous contracts	-	110,355	-	-	110,355	-	20,789	-	-	20,789
Changes to liabilities for incurred claims	-	-	(228,910)	(4,303)	(233,213)	-	-	383,164	47,112	430,276
Insurance service result	**(4,884,991)**	**110,355**	**4,814,948**	**(4,303)**	**36,009**	**(4,190,457)**	**20,789**	**3,960,080**	**47,112**	**(162,476)**
Reinsurance interest expense	**-**	**-**	2,396	**-**	**2,396**	**-**	**-**	**-**	**-**	**-**
Effect of movements in exchange rates	7	-	-	-	7	(3)	-	-	-	(3)
Total changes in the statement of comprehensive income	**(4,884,984)**	**110,355**	**4,817,344**	**(4,303)**	**38,412**	**(4,190,460)**	**20,789**	**3,960,080**	**47,112**	**(162,479)**
Cash flows										
Premiums received	5,230,947	-	-	-	5,230,947	4,778,919	-	-	-	4,778,919
Claims and other expenses paid	-	-	(5,042,104)	-	(5,042,104)	-	-	(3,529,344)	-	(3,529,344)
Insurance acquisition cash flows	(124,073)	-	-	-	(124,073)	(102,904)	-	-	-	(102,904)
Total cash flows	**5,106,874**	**-**	**(5,042,104)**	**-**	**64,770**	**4,676,015**	**-**	**(3,529,344)**	**-**	**1,146,671**
Other movements	(58)	-	-	-	(58)	604	-	-	-	604
Net insurance contract liabilities at 31 December	**974,609**	**132,148**	**329,286**	**30,452**	**1,466,495**	**752,777**	**21,793**	**554,046**	**34,755**	**1,363,371**

Property insurance	**31 December 2024**					**31 December 2023**				
	Liabilities for remaining coverage		**Liabilities for incurred claims**		**Total**	**Liabilities for remaining coverage**		**Liabilities for incurred claims**		**Total**
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**		**Excluding loss component**	**Loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**	
Net insurance contract liabilities at 1 January	617,664	1,334	6,491	387	625,876	107,176	-	19,474	(2,446)	124,204
Insurance revenue	(3,627,651)	-	-	-	(3,637,651)	(3,095,784)	-	-	-	(3,095,784)
Insurance service expenses	**121,136**	**(50)**	**121,839**	**1,443**	**244,368**	**105,344**	**1,334**	**231,385**	**2,833**	**340,896**
Incurred claims and other expenses	-	-	102,760	-	102,760	-	-	244,367	-	244,367
Amortisation of insurance acquisition cash flows	121,136	-	-	-	121,136	105,344	-	-	-	105,344
Losses on onerous contracts	-	(50)	-	-	(50)	-	1,334	-	-	1,334
Changes to liabilities for incurred claims	-	-	19,079	1,443	20,522	-	-	(12,982)	2,833	(10,149)
Insurance service result	**(3,516,515)**	**(50)**	**121,839**	**1,443**	**(3,393,283)**	**(2,990,440)**	**1,334**	**231,385**	**2,833**	**(2,754,888)**
Reinsurance interest expense	-	-	30	-	30	-	-	-	-	-
Effect of movements in exchange rates	**(3,516,515)**	(50)	121,869	1,443	(3,393,253)	(2,990,440)	1,334	231,385	2,833	(2,754,888)
Total changes in the statement of comprehensive income	-	-	-	-	-	-	-	-	-	-
										-
Cash flows										-
Premiums received	4,257,252	-	-	-	4,257,252	3,628,225	-	-	-	3,628,225
Claims and other expenses paid	-	-	(102,760)		(102,760)	-	-	(244,368)		(244,368)
Insurance acquisition cash flows	(122,785)	-	-	-	(122,785)	(127,701)	-	-	-	(127,701)
Total cash flows	**4,134,467**	**-**	**(102,760)**	**-**	**4,031,707**	**3,500,524**	**-**	**(244,368)**	**-**	**3,256,156**
Other movements	(580)	-	-	-	(580)	404	-	-	-	404
Net insurance contract liabilities at 31 December	**1,235,036**	**1,284**	**25,600**	**1,830**	**1,263,750**	**617,664**	**1,334**	**6,491**	**387**	**625,876**

Motor and voluntary MTPL insurance contracts	**31 December 2025**					**31 December 2024**				
	Liabilities for remaining coverage		**Liabilities for incurred claims**		**Total**	**Liabilities for remaining coverage**		**Liabilities for incurred claims**		**Total**
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**		**Excluding loss component**	**Loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**	
Net insurance contract liabilities at 1 January	433,976	39,243	153,986	14,813	642,018	208,849	5,648	38,904	(4,268)	249,133
Insurance revenue	(1,936,650)	-	-	-	(1,936,650)	(1,287,302)	-	-	-	(1,287,302)
Insurance service expenses	**580,435**	**(8,113)**	**1,496,194**	**10,857**	**2,079,373**	**326,185**	**33,595**	**698,496**	**19,081**	**1,077,357**
Incurred claims and other expenses	-	-	1,409,519	-	1,409,519	-	-	584,657	-	584,657
Amortisation of insurance acquisition cash flows	580,435	-	-	-	580,435	326,185	-	-	-	326,185
Losses on onerous contracts	-	(8,113)	-	-	(8,113)	-	33,595	-	-	33,595
Changes to liabilities for incurred claims	-	-	86,675	10,857	97,532	-	-	113,839	19,081	132,920
Insurance service result	**(1,356,215)**	(8,113)	**1,496,194**	**10,857**	**142,723**	**(961,117)**	**33,595**	**698,496**	**19,081**	**(209,945)**
Effect of movements in exchange rates	**-**	**-**	847	**-**	847	**-**	**-**	**-**	**-**	**-**
Total changes in the statement of comprehensive income	**(1,356,215)**	(8,113)	1,497,041	10,857	143,570	(961,117)	33,595	698,496	19,081	(209,945)
										-
Cash flows										-
Premiums received	2,073,847	-	-	-	2,073,847	1,527,696	-	-	-	1,527,696
Claims and other expenses paid	-	-	(1,410,185)	-	(1,410,185)	-	-	(583,414)	-	(583,414)
Insurance acquisition cash flows	(690,215)	-	-	-	(690,215)	(342,190)	-	-	-	(342,190)
Total cash flows	**1,383,632**	**-**	**(1,410,185)**	**-**	**(26,553)**	**1,185,506**	**-**	**(583,414)**	**-**	**602,092**
Other movements	11	-	-	-	11	738	-	-	-	738
Net insurance contract liabilities at 31 December	**461,404**	31,130	**240,842**	**25,670**	**759,046**	**433,976**	**39,243**	**153,986**	**14,813**	**642,018**

Other Insurance portfolios	31 December 2025					31 December 2024				
	Liabilities for remaining coverage		Liabilities for incurred claims			Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net insurance contract liabilities at 1 January	374,593	10,692	107,208	6,460	498,953	165,577	553	24,822	(3,526)	187,426
Insurance revenue	(2,024,179)	-	-	-	(2,024,179)	(1,584,528)	-	-	-	(1,584,528)
Insurance service expenses	**355,318**	**3,004**	**158,792**	**(975)**	**516,139**	**276,308**	**10,139**	**306,606**	**9,986**	**603,039**
Incurred claims and other expenses	-	-	205,536	-	205,536	-	-	224,219	-	224,219
Amortisation of insurance acquisition cash flows	355,318	-	-	-	355,318	276,308	-	-	-	276,308
Losses on onerous contracts	-	3,004	-	-	3,004	-	10,139	-	-	10,139
Changes to liabilities for incurred claims	-	-	(46,744)	**(975)**	(47,719)	-	-	82,387	9,986	92,373
Insurance service result	**(1,668,861)**	**3,004**	**158,792**	**(975)**	**(1,508,040)**	**(1,308,220)**	**10,139**	**306,606**	**9,986**	**(981,489)**
Reinsurance interest expense	**-**	**-**	**519**	**-**	**519**	**-**	**-**	**-**	**-**	
Effect of movements in exchange rates	97	-	-	-	97	(501)	-	-	-	(501)
Total changes in the statement of comprehensive income	**(1,668,764)**	**3,004**	**159,311**	**(975)**	**(1,507,424)**	**(1,308,721)**	**10,139**	**306,606**	**9,986**	**(981,990)**
										-
Cash flows										-
Premiums received	2,518,191	-	-	-	2,518,191	1,820,885	-	-	-	1,820,885
Claims and other expenses paid	-	-	(193,957)	-	(193,957)	-	-	(224,220)	-	(224,220)
Insurance acquisition cash flows	(369,730)	**-**	**-**	**-**	(369,730)	(300,129)	**-**	**-**	**-**	(300,129)
Total cash flows	**1,788,461**	**-**	**(193,957)**	**-**	**1,594,504**	**1,520,756**	**-**	**(224,220)**	**-**	**1,296,536**
Other movements	(415)	-	-	-	(415)	(3,019)	-	-	-	(3,019)
Net insurance contract liabilities at 31 December	**493,875**	**13,696**	**72,562**	**5,485**	**585,618**	**374,593**	**10,692**	**107,208**	**6,460**	**498,953**

Voluntary health insurance	2025				2024			
	Liabilities for remaining coverage	Reinsurer's share in liabilities for incurred claims		Total	Liabilities for remaining coverage	Reinsurer's share in liabilities for incurred claims		Total
	Excluding loss component	Estimates of the present value of future cash flow	Risk adjustment		Excluding loss component	Estimates of the present value of future cash flow	Risk adjustment	
Net reinsurance contract balances at 1 January	**3,481**	**269,082**	**17,749**	**290,312**	**-**	**-**	**-**	**-**
Allocation of reinsurance premiums to reinsurers	(2,972,179)	-	-	(2,972,179)	(1,325,754)	-	-	(1,325,754)
Amounts recoverable from reinsurer	**236,760**	**3,852,999**	**6,673**	**4,096,432**	**106,807**	**1,478,415**	**17,749**	**1,602,971**
Amortization of commissions on reinsurance	236,760	-	-	236,760	106,807	-	-	106,807
Reinsurer's share in incurred claims and other expenses	-	3,796,300	-	3,796,300	-	1,209,334	-	1,209,334
Changes to reinsurer's share in liabilities for incurred claims	-	56,6999	6,673	63,372	-	269,081	17,749	286,830
Net expenses from reinsurance contracts	**(2,735,419)**	**3,852,999**	**6,673**	**1,124,253**	**(1,218,947)**	**1,478,415**	**17,749**	**277,217**
Reinsurance interest expense	**-**	**1,224**	**-**	**1,224**	**-**	**-**	**-**	**-**
Effect of movements in exchange rates	275	-	-	275	320	-	-	320
Total changes in the statement of comprehensive income	**(2,735,144)**	**3,854,223**	**6,673**	**1,125,752**	**(1,218,627)**	**1,478,415**	**17,749**	**277,537**
Cash flows								
Reinsurance premiums paid	3,618,732	-	-	3,618,732	1,222,108	-	-	1,222,108
Reinsurance commissions received	-	(3,603,112)	-	(3,603,112)	-	(1,209,333)	-	(1,209,333)
Total cash flows	**3,618,732**	**(3,603,112)**	**-**	**15,620**	**1,222,108**	**(1,209,333)**	**-**	**12,775**
Net insurance contract assets at 31 December	**887,069**	**520,193**	**24,422**	**1,431,684**	**3,481**	**269,082**	**17,749**	**290,312**

Property insurance	2025				2024			
	Liabilities for remaining coverage	Reinsurer's share in liabilities for incurred claims		Total	Liabilities for remaining coverage	Reinsurer's share in liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flow		Excluding loss component	Estimates of the present value of future cash flow	Risk adjustment	
Net reinsurance contract balances at 1 January	**26,427**	**104,759**	**312**	**131,498**	**(25,783)**	**17,403**	**(2,182)**	**(10,562)**
Allocation of reinsurance premiums to reinsurers	(3,165,887)	-	-	(3,165,887)	(2,729,745)	-	-	(2,729,745)
Amounts recoverable from reinsurer	**25,265**	**106,570**	**1,224**	**133,059**	**(8,419)**	**217,702**	**2,494**	**211,777**
Amortization of commissions on reinsurance	25,265	-	-	25,265	(8,419)	-	-	(8,419)
Reinsurer's share in incurred claims and other expenses	-	90,442	-	90,442	-	229,617	-	229,617
Changes to reinsurer's share in liabilities for incurred claims	-	16,128	1,224	17,352	-	(11,915)	2,494	(9,421)
Net expenses from reinsurance contracts	**(3,140,622)**	**106,570**	**1,224**	**(3,032,828)**	**(2,738,164)**	**217,702**	**2,494**	**(2,517,968)**
Reinsurance interest expense	**-**	**25**		**25**	**-**	**-**	**-**	**-**
Effect of movements in exchange rates	7,634	-	-	7,634	39,656	-	-	39,656
Total changes in the statement of comprehensive income	**(3,132,988)**	**106,595**	**1,224**	**(3,025,169)**	**(2,698,508)**	**217,702**	**2,494**	**(2,478,312)**
Cash flows								
Reinsurance premiums paid	3,909,576	-	-	3,909,576	2,750,718	-	-	2,750,718
Reinsurance commissions received	-	(100,374)	-	(100,374)	-	(130,346)	-	(130,346)
Total cash flows	**3,909,576**	**(100,374)**	**-**	**3,809,202**	**2,750,718**	**(130,346)**	**-**	**2,620,372**
Net insurance contract assets at 31 December	**803,015**	**110,980**	**1,536**	**915,531**	**26,427**	**104,759**	**312**	**131,498**

				2025				2024
Motor and voluntary MTPL insurance	**Liabilities for remaining coverage**	**Reinsurer's share in liabilities for incurred claims**		**Total**	**Liabilities for remaining coverage**	**Reinsurer's share in liabilities for incurred claims**		**Total**
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flow**		**Excluding loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**	
Net reinsurance contract balances at 1 January	**410,536**	**146,397**	**11,636**	**568,569**	**(49,116)**	**31,584**	**(3,393)**	**(20,925)**
Allocation of reinsurance premiums to reinsurers	(774,757)	-	-	(774,757)	(636,291)	-	-	(636,291)
Amounts recoverable from reinsurer	**(39,932)**	**1,111,457**	8,771	**1,160,160**	**(87,341)**	**546,949**	**15,029**	**474,637**
Amortization of commissions on reinsurance	(39,932)	-	-	(39,932)	(87,341)	-	-	(87,341)
Reinsurer's share in incurred claims and other expenses	-	1,053,735	-	1,053,735	-	432,101	-	432,101
Changes to reinsurer's share in liabilities for incurred claims	-	57,722	8,771	66,493	-	114,848	15,029	129,877
Net expenses from reinsurance contracts	**(734,825)**	**1,111,457**	**8,771**	**385,403**	**(723,632)**	**546,949**	**15,029**	**(161,654)**
Reinsurance interest income	-	666	-	666	-	-	-	-
Total changes in the statement of comprehensive income	**(734,825)**	**1,112,123**	**8,771**	**385,403**	**(723,632)**	**546,949**	**15,029**	**(161,654)**
Cash flows								
Reinsurance premiums paid	789,524	-	-	789,524	1,183,284	-	-	1,183,284
Reinsurance commissions received	-	(1,053,699)	-	(1,053,699)	-	(432,136)	-	(432,136)
Total cash flows	**789,524**	**(1,053,699)**	**-**	**264,175**	**1,183,284**	**(432,136)**	**-**	**751,148**
Net insurance contract assets at 31 December	**465,235**	**204,821**	**24,407**	**690,463**	**410,536**	**146,397**	**11,636**	**568,569**

				2025				2024
Other reinsurance portfolios	**Liabilities for remaining coverage**	**Reinsurer's share in liabilities for incurred claims**		**Total**	**Liabilities for remaining coverage**	**Reinsurer's share in liabilities for incurred claims**		**Total**
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flow**		**Excluding loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**	
Net reinsurance contract balances at 1 January	**22,740**	**72,523**	**4,836**	**100,099**	**(65,734)**	**20,478**	**(2,931)**	**(48,187)**
Allocation of reinsurance premiums to reinsurers	(1,018,566)	-	-	(1,018,566)	(658,596)	-	-	(658,596)
Amounts recoverable from reinsurer	**70,998**	**64,739**	**(4,119)**	**131,618**	**40,630**	**170,622**	**7,767**	**219,019**
Amortization of commissions on reinsurance	70,998	-	-	70,998	40,630	-	-	40,630
Reinsurer's share in incurred claims and other expenses	-	124,079	-	124,079	-	118,576	-	118,576
Changes to reinsurer's share in liabilities for incurred claims	-	59,340	**(4,119)**	(63,459)	-	52,046	7,767	59,813
Net expenses from reinsurance contracts	**(947,568)**	**64,739**	**(4,119)**	**(886,948)**	**(617,966)**	**170,622**	**7,767**	**(439,577)**
Reinsurance interest income	**-**	**350**		**350**	**-**	**-**	**-**	**-**
Effect of movements in exchange rates	1,479	-	-	1,479	4,964	-	-	4,964
Total changes in the statement of comprehensive income	**(946,089)**	**64,098**	**(4,119)**	**(885,119)**	**(613,002)**	**170,622**	**7,767**	**(434,613)**
Cash flows								
Reinsurance premiums paid	864,963	-	-	864,963	701,476	-	-	701,476
Reinsurance commissions received	-	**(123,119)**	-	**(123,119)**	-	(118,577)	-	(118,577)
Total cash flows	**864,963**	**(123,119)**	**-**	**741,844**	**701,476**	**(118,577)**	**-**	**582,899**
Net insurance contract assets at 31 December	**(58,386)**	**14,493**	**717**	**(43,176)**	**22,740**	**72,523**	**4,836**	**100,099**

20. Inventories

	2025 AMD'000	2024 AMD'000
Medication and medical supplies	110,287	102,202
Medication and medical supplies for resale	21,161	27,502
	131,448	**129,704**

21. Trade and other receivables

	2025 AMD'000	2024 AMD'000
On insurance coverage	103,806	75,149
From the related parties	151,390	58,915
Interests from prepayments	-	50,286
On state coverage services	50,743	35,882
On social package coverage	5,639	5,284
Allowance for trade receivables	(2,965)	(4,383)
Other	24,630	24,465
Total financial assets measured at amortized cost	**333,243**	**245,598**
Prepayments	55,493	61,349
Prepayments to related parties	81,277	18,514
Other	(52,370)	27,953
Total	**417,643**	**353,414**

22. Trade and other payables

	2025 AMD'000	2024 AMD'000
Medical and other supplies	395,026	210,216
Received services	66,607	85,493
Property and equipment	87,650	79,488
Other payables	21,552	80,270
Total financial liabilities measured at amortized cost, excluded loans and borrowings	**570,835**	**455,467**
Unused vacations	132,239	152,993
Taxes	126,039	116,380
Payables to employees	149,565	140,104
Prepayments received	-	63,788
Total	**978,678**	**928,732**

23. Issued bonds

The group has issued bonds. On 18 December 2025, Intelligent Management LLC issued bonds in the amount of AMD 1,000,000,000 and USD 2,500,000. The annual interest rate on the bonds is 11.9% for bonds issued in Armenian drams and 7.9% for bonds issued in US dollars, with a six-month repayment period and maturity date of 18 December 2028. On 1 April 2025, Arinterlev CJSC issued bonds in the amount of AMD 1,000,000,000, with a coupon rate of 12% and a six-month payment periodicity, The group's obligations under the bonds as of 31 December 2025 amount to AMD 2,991,828 thousand, including the accumulated coupon.

24. Fair values and risk management

(a) Fair values of financial instruments

Management estimates that the fair value of all the financial assets and 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;
– liquidity risk;
– market risk.

Risk management framework

The management of the Group has overall responsibility for the establishment and oversight of the Group’s risk management framework. The management of the Group is well informed of the risks and challenges of the industry. The political, social and economic factors are all accumulated to arrive at strategic decisions. The management also, through its training and activities, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(c) 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.

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

	Carrying amount	
AMD’000	**2025**	**2024**
Trade receivables	417,643	245,598
Borrowings provided	720,681	424,203
Investment in securities	4,642,842	4,603,115
Other assets	23,870	11,302
Bank deposits	2,104,295	1,710,879
Bank balances and cash in transit	23,870	42,568
	7,933,200	**7,037,665**

(d) 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.

For this purpose the Group makes short-term forecasts for cash flows based on financial needs conditioned by the nature of operating and investing activities. As a rule these needs are envisaged for an annual and monthly basis. The Group aims to maintain the level of cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the succeeding 60 days.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

2025 **AMD'000**	**Up to 3 months**	**3-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-derivative financial liabilities					
Amounts payable to repurchase agreements	-	3,476,711	-	-	-
Trade and other payables	978,678	-	-	-	-
Loans	275,400	1,268,209	1,115,624	656,232	1,436,412
Refund liability	-	75,178	82,230	-	-
Bonds issued	51,000	-	-	-	2,940,828
Lease payables	57,880	165,103	193,966	799,617	730,365
Total	**1,362,958**	**4,985,202**	**1,392,820**	**1,455,849**	**5,107,604**

2024 **AMD'000**	**Up to 3 months**	**3-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-derivative financial liabilities					
Amounts payable to repurchase agreements	-	2,245,718	-	-	-
Trade and other payables	544,683	-	-	-	-
Loans	394,870	1,818,364	1,599,586	940,908	2,059,533
Refund liability	-	75,178	100,237	75,178	-
Other liabilities	-	-	-	-	-
Lease payables	105,291	300,345	352,850	1,454,611	1,328,632
Insurance contract liabilities	-	839,149	18,737	35,927	-
	1,044,844	**5,278,754**	**2,071,410**	**2,506,624**	**3,388,165**

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

(e) 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.

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

Currency risk

The Group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the functional currency, primarily the U.S. Dollar (USD) and Euro (EUR).

Exposure to currency risk

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

Net financial assets / (liabilities) at a foreign currency	**2025 AMD'000**	**2024 AMD'000**
USD	3,730,130	1,332,434
EUR	(734,881)	(1,134,881)
RUB	-	(321)
	2,995,249	**197,232**

The following significant exchange rates applied during the year:

in AMD	**Reporting date spot rate**	
	2025	**2024**
USD 1	381. 36	396.56
EUR 1	449. 01	413.89
RUB 1	4. 8711	3.71

Sensitivity analysis

A reasonably possible strengthening 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 profit or loss before taxes by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	USD	**EUR**	**RUB**
AMD'000	**Profit or loss**	**Profit or loss**	**Profit or loss**
31 December 2025 (10% movement)	373,013	73,488	-
31 December 2024 (10% movement)	133,243	113,488	-

A 10% weakening of the AMD against the USD, EUR or RUB at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss net of taxes by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
AMD'000	**100 bp increase**	**100 bp decrease**
2025		
Variable rate instruments	(187,968)	176,543
2024		
Variable rate instruments	(262,172)	241,400

25. Contingencies

(a) Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its 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, although fully insured medical equipment (in case of Vardanants Center for Innovative Medicine) and reinsurance treaties (in case of EFES Insurance) provide protection for most important financial and operational assets. There is a minor risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigations

The Group does not have litigations that may have a material effect on the Group's consolidated financial position.

(c) Taxation contingencies

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

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

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

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

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

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

26. Related parties

During the reporting period, remuneration of the Company's key management was as follows:

	2025 AMD'000	2024 AMD'000
Wages and other payments	650,118	521,810
	650,118	**521,810**

27. Basis of measurement

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

28. 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) 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.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue

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

(c) Finance income and costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- foreign currency gain or loss on financial assets and financial liabilities;
- interest expense on lease liability included in finance costs.

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

Transactions in foreign currencies are translated to AMD at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to AMD 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 assets and liabilities denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognised in profit or loss.

(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 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 items recognised directly in equity or in other comprehensive income.

(i) Current tax

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

(ii) Deferred tax

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements 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. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(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. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. 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 residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

– buildings	40 years
– network infrastructure	5-25 years
– equipment	1-10 years
– transportation facilities	5 years
– fixtures and fittings	1-5 years
– leasehold improvements	lower of lease term and 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Intangible assets

(i) Indefinite useful life intangible assets

Spectrum fees paid upfront are classified as indefinite useful life intangible assets. These assets are carried at cost and reviewed for impairment annually.

(ii) Other intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(iv) Amortisation

Amortisation is calculated over the cost of the asset, less its residual value.

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

The estimated useful lives for the current and comparative periods are as follows:

– licences and trademarks	6-16 years
– billing system	10 years
– other software	1-10 years
– customer base	8 years
– capacity IRU	5-15 years

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

(j) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

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

Financial assets are not reclassified subsequent to their initial recognition unless the 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.

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

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. 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;
- 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; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the 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, 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; and
- 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.

Financial assets – Subsequent measurement and gains and losses

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

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

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the 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, e.g. changes in fixed interest rates initiated by banks due to changes in the CBA key rate, if the loan contract entitles banks to do so and the Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

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.

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

***(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.

(l) Impairment

(i) Non-derivative financial assets

Financial instruments and contract assets

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the 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 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.

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. For corporate non-billing customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The 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.

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 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 costs.

Site restoration

In accordance with the applicable legal requirements, a provision for site restoration in respect of leased areas for installed network facilities, is recognised when the facilities are installed.

(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.

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.

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

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