Coca-Cola Hellenic Bottling Company Armenia CJSC

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

31 December 2021

Contents

Independent Auditor's Report

To the Shareholder of Coca-Cola Hellenic Bottling Company Armenia CJSC:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Coca-Cola Hellenic Bottling Company Armenia CJSC (the "Company") as at 31 December 2021, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Alexey Rusanov
Director

PricewaterhouseCoopers Armenia LLC

8 July 2022

Yerevan, Republic of Armenia

In thousands of Armenian Drams	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	7	5,501,421	5,585,156
Intangible assets	8	210,065	197,685
Prepayments for property, plant and equipment	9	264,581	23,895
Other non-current assets		81,970	117,970
Loans issued	10	3,839,572	3,358,578
Total non-current assets		**9,897,609**	**9,283,284**
Current assets			
Inventories	11	2,119,065	1,758,740
Trade and other receivables	12	262,464	391,971
Loans Issued	10	3,063,927	2,054,263
Cash and cash equivalents	13	2,608,927	1,672,881
Total current assets		**8,054,383**	**5,877,855**
TOTAL ASSETS		**17,921,992**	**15,161,139**
EQUITY			
Share capital	14	1,009,875	1,009,875
Retained earnings		12,390,528	9,996,842
TOTAL EQUITY		**13,400,403**	**11,006,717**
Non-current liabilities			
Lease Liabilities	15	85,576	172,410
Deferred tax liability	20	176,927	195,917
Total non-current liabilities		**262,503**	**368,327**
Current liabilities			
Lease Liabilities	15	101,573	86,529
Trade and other payables	16	3,317,507	3,094,121
Current Income tax payable		683,833	382,483
Deposit liabilities	17	186,173	222,962
Total current liabilities		**4,289,086**	**3,786,095**
Total liabilities		**4,551,589**	**4,154,422**
TOTAL LIABILITIES AND EQUITY		**17,951,992**	**15,161,139**

Approved for issue and signed on 8 July 2022.

Artur Sahakyan
General Manager

Karine Yolyan
Accounting & Tax Manager

The accompanying notes on pages 5 to 32 are an integral part of these financial statements.

In thousands of Armenian Drams	**Note**	**2021**	**2020**
Revenue	18	27,908,248	20,416,005
Cost of sales	19	(16,023,202)	(11,343,511)
Gross profit		**11,885,046**	**9,072,494**
Other operating income	19	954,944	756,389
Distribution expenses	19	(2,946,823)	(2,620,089)
General and administrative expenses	19	(1,156,392)	(997,088)
Advertising and marketing services	19	(1,878,959)	(1,009,893)
Other operating expenses	19	(1,045,573)	(941,907)
Operating profit		**5,812,243**	**4,259,906**
Finance income		259,627	157,066
Finance cost		(18,828)	(21,364)
Profit before income tax		**6,053,042**	**4,395,608**
Income tax expense	20	(1,194,806)	(1,014,795)
Profit for the year		**4,858,236**	**3,380,813**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,858,236**	**3,380,813**

In thousands of Armenian Drams	Share capital	Retained earnings	Total equity
Balance on 1 January 2020	**1,009,875**	**8,055,039**	**9,064,914**
Total comprehensive income for 2020	-	3,380,813	3,380,813
Dividends declared	-	(1,439,010)	(1,439,010)
Balance at 31 December 2020	**1,009,875**	**9,996,842**	**11,006,717**
Total comprehensive income for 2021	-	4,858,236	4,858,236
Dividends declared	-	(2,464,550)	(2,464,550)
Balance at 31 December 2021	**1,009,875**	**12,390,528**	**13,400,403**

In thousands of Armenian Drams	**Note**	**2021**	**2020**
Cash flows from operating activities			
Profit/(Loss) before income tax		6,053,043	4,395,608
Adjustments for:			
Depreciation and impairment of property, plant and equipment	19	941,778	1,060,214
Amortisation and impairment of other intangible assets	19	33,742	87,112
(Reversal of the write-off) / write-off of property, plant and equipment		(56,066)	105,338
Impairment of trade and other receivables		31,906	37,343
Movement in deposit liabilities		(36,789)	11,004
Finance income		(259,627)	(157,066)
Finance costs		18,828	21,364
Foreign exchange translation differences	19	125,130	(174,156)
Other non-cash operating costs		8,992	(13,628)
Operating cash flows before working capital changes		**6,860,937**	**5,373,133**
Increase in inventories		(360,325)	(62,746)
Increase / (decrease) in trade and other payables		550,178	(1,991,651)
Decrease / (increase) in trade and other receivables		133,601	(9,915)
Changes in working capital		**323,454**	**(2,064,312)**
Income tax paid		(931,437)	(857,284)
Interest income received		259,627	157,066
Net cash from operating activities		**6,512,581**	**2,608,603**
Cash flows from investing activities			
Purchases of property, plant and equipment		(949,672)	(728,768)
Acquisition of intangible assets		(46,122)	(9,618)
Proceeds from the sale of property, plant and equipment		-	-
Net cash from investing activities		**(995,794)**	**(738,386)**
Cash flows from financing activities			
Proceeds of borrowings		-	494,744
Repayment of borrowings		-	(586,314)
Principal Repayments of lease liabilities		(183,608)	(135,828)
Loans granted to related party		(3,868,280)	(3,148,680)
Dividends payment		(2,464,550)	(1,439,010)
Repayment of loans granted to related parties		1,918,663	3,791,459
Net cash from financing activities		**(4,597,775)**	**(1,023,629)**
Effect of exchange rate changes on cash and cash equivalents		17,035	8,873
Cash and cash equivalents at the beginning of the year		**1,672,880**	**817,420**
Cash and cash equivalents at the end of the year		**2,608,927**	**1,672,881**

1 Coca-Cola Hellenic Bottling Company Armenia CJSC and its Operations

These financial statements have been prepared for Coca-Cola Hellenic Bottling Company Armenia CJSC (the "Company") for the year ended 31 December 2021.

The Company was incorporated and is domiciled in the Republic of Armenia (the "RA"). The Company is a closed joint stock company limited by shares and was set up in accordance with Armenian regulations.

As of 31 December 2021, and 2020 the Company's immediate parent company was Leman Beverages Holding S.A.R.L. incorporated in Luxembourg and intermediate parent company was Softbev Investments LTD incorporated in Cyprus. The Company is ultimately controlled by Coca-Cola Hellenic Bottling Company S.A. incorporated in Switzerland (since 2013).

As of 31 December 2021, and 2020 the 100% shareholder of the Company was Leman Beverages Holding S.A.R.L.

Principal activity. The Company's principal business activity is the production, import and distribution of non-alcoholic and alcoholic beverages within the RA. The Company's manufacturing facilities are primarily based in Yerevan, the RA.

Registered address and place of business. The Company's registered address is Tbilisi Highway Lane, 8/3 Building, 0052 Yerevan, the RA.

Presentation currency. These financial statements are presented in Armenian Drams ("AMD"), unless otherwise stated.

2 Operating Environment of the Company

Republic of Armenia. The Republic of Armenia displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 21). The economic environment of the Republic of Armenia is significantly influenced by the level of business activity in the Russian Federation and significant cash movements flow from the Russian Federation to the Republic of Armenia. Therefore, ongoing political tension in the region, international sanctions, stock market volatility and other risks experienced in the Russian Federation could have a negative effect on the financial and corporate sectors of the Republic of Armenia.

COVID-19. In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Armenian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. Some of the above measures were subsequently relaxed, however, as of 31 December 2021, the global infection levels remain high, vaccination rate is relatively low, and there is a risk that the Armenian authorities would impose additional restrictions in subsequent periods, including due to emerging new variants of the virus.

In 2021 the Armenian economy demonstrated positive dynamics in recovery from the pandemic. This trend was also supported by the global economic recovery and higher prices on global commodity markets. However, higher prices on certain markets in Armenia and globally also contribute to the inflation in Armenia.

The future effects of the current economic situation and the measures taken by the Government are difficult to predict and management's current expectations and estimates could differ from actual results.

Expected credit losses. For the purpose of measurement of expected credit losses ("ECL") on the Company's loans, receivables and similar assets the Company uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 12 provides more information of how the Company incorporated forward-looking information in the ECL models.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Foreign currency translation. The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the national currency of the RA, AMD.

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Republic of Armenia (the "CBA") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBA are recognised in profit or loss for the period. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

At 31 December 2021 the principal rate of exchange used for translating foreign currency balances was US Dollars ("USD") 1 = AMD 480.1 (31 December 2020: USD 1 = AMD 522.59), European Union currency ("Euro") 1 = AMD 542.61 (31 December 2020: Euro 1 = AMD 641.11), Great Britain Pound Sterling ("GBP") 1 = AMD 646.17 (31 December 2020: GBP 1 = AMD 709.47), Russian Roubles ("RUB") 1 = AMD 6.42 (31 December 2020: RUB 1 = AMD 7.02).

Property, plant and equipment. Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At each end of the reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the statement of comprehensive income for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the statement of comprehensive income for the year.

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

	Useful lives in years
Buildings	40
Plant and machinery	4-20
Motor vehicles	5-8
Marketing equipment	2-15
Other	2-12

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

3 Summary of Significant Accounting Policies (Continued)

Intangible assets. The Company's intangible assets have definite useful lives and primarily include capitalised software. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

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

	Useful lives in years
Internally developed software	10
Acquired software licenses	4

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses *("ECL")*. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

3 Summary of Significant Accounting Policies (Continued)

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

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets at AC.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

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

Debt instruments measured at AC, trade and other receivables are presented in the statement of financial position net of the allowance for ECL.

The Company recognizes loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents;
- Trade and other receivables;
- Term deposits.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (Note 12).

3 Summary of Significant Accounting Policies (Continued)

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification. A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Borrowings. Borrowings are carried at amortised cost using the effective interest method.

Lease liabilities. Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date, and

payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

3 Summary of Significant Accounting Policies (Continued)

Extension and termination options are included in a number of leases across the Company. These terms are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Company:

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

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within other operating expenses.

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

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

Value added tax. Output value added tax related to sales is payable to tax authorities on the delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon payment for purchases. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the balance sheet on a net basis and disclosed separately as an asset or liability.

3 Summary of Significant Accounting Policies (Continued)

Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the selling expenses.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in statement of comprehensive income for the year.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount.

Revenue recognition. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Company agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Sales are shown net of VAT and discounts.

Revenue recognition. Sales are recognised when control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer’s acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. Discounts are provided at the time of the sale in a point in time basis.

No element of financing is deemed present as the sales are made with a credit term of 30 days or immediate payment, which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Employee benefits. Wages, salaries, contributions to the RA state pension funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company.

Deposit liabilities. A deposit liability is recognised when the returnable containers are delivered to the customer. The asset “returnable containers in plant/warehouse” is then reclassified to “returnable containers in trade”. The transfer occurs at the carrying value multiplied by the quantity. The carrying value of the returnable containers is equal to the deposit value. This reclassification occurs on a monthly basis. An estimate is made regarding the number and value of returnable containers broken or lost and not expected to be returned. This estimate is recorded both as a reduction in the returnable container account and the deposit liability account and is based on historical return rates and management’s past experience.

3 Summary of Significant Accounting Policies (Continued)

Presenting foreign exchange differences in the Statement of Cash Flows. The Company made a decision to exclude foreign exchange differences from the amounts of changes in accounts receivable and payables and present their amounts within adjustments to profit before tax on non-cash items.

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

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Tax legislation. Armenian tax and customs legislation is subject to varying interpretations. Management believes its interpretations and estimates based on taxation legislation are appropriate and sustainable, but no guarantee can be provided against a challenge from the tax authorities, refer to Note 20.

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Where the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2021 would increase/decrease by AMD 94,178 thousand (31 December 2020: AMD 106,021 thousand).

5 Adoption of New or Revised Standards and Interpretations

COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020. The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. The application of the amendment did not have any impact on the right-of-use asset.

The following amended standards became effective from 1 January 2021, but did not have a material impact on the Company:

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

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

- *Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:* For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform. *End date for Phase 1 relief for non contractually specified risk components in hedging relationships:* The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- *Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9* hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- *Additional IFRS 7 disclosures related to IBOR reform:* The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 or later, and which the Company has not early adopted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The amendments are not expected to have any material impact on the Company's financial statements.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, the effective date subsequently modified to 1 January 2023 by the Amendments to IFRS 17 as discussed below). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

6 New Accounting Pronouncements (Continued)

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

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

insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

The amendments are not expected to have any material impact on the Company's financial statements.

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

6 New Accounting Pronouncements (Continued)

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Company is currently assessing the impact of the amendments on its financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

6 New Accounting Pronouncements (Continued)

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Company is currently assessing the impact of the amendments on its financial statements.

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

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

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022. The Company is currently assessing the impact of the amendments on its financial statements.

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

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

6 New Accounting Pronouncements (Continued)

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

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

7 Property, Plant and Equipment

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

In thousands of Armenian Drams	Land	Buildings, Plant and machinery	Motor vehicles	Marketing equipment	Other	Construction in progress	ROU assets	Total
Cost at 1 January 2020	69,924	9,526,578	1,346,930	6,475,375	687,664	-	369,890	18,476,361
Accumulated depreciation	-	(6,252,787)	(1,143,461)	(4,796,162)	(538,859)	-	(117,401)	(12,848,670)
Carrying amount at 1 January 2020	**69,924**	**3,273,791**	**203,469**	**1,697,213**	**148,005**	**-**	**252,489**	**5,627,691**
Additions	-	236,827	130,053	609,876	39,925	-	106,336	1,123,017
Disposals	-	(8,680)	-	(96,658)	-	-	-	(105,338)
Depreciation charge	-	(431,938)	(72,270)	(387,433)	(54,723)	-	(113,850)	(1,060,214)
Carrying amount at 31 December 2020	**69,924**	**3,070,000**	**261,252**	**1,804,998**	**134,007**	**-**	**244,975**	**5,585,156**
Cost at 31 December 2020	69,924	9,737,195	1,476,983	6,956,090	727,527	-	476,226	19,463,946
Accumulated depreciation	-	(6,667,195)	(1,215,731)	(5,151,092)	(613,521)	-	(231,251)	(13,878,790)
Carrying amount at 31 December 2020	**69,924**	**3,070,000**	**261,252**	**1,804,998**	**134,007**	**-**	**244,975**	**5,585,156**
Additions	-	88,676	28,000	694,288	21,606	6,103	21,201	859,874
Disposals	-	(1,526)	-	(306)	-	-	-	(1,832)
Depreciation charge	-	(309,410)	(71,008)	(414,863)	(51,412)	-	(95,084)	(941,777)
Carrying amount at 31 December 2021	**69,924**	**2,847,740**	**218,244**	**2,084,117**	**104,201**	**6,103**	**171,092**	**5,501,421**
Cost at 31 December 2021	69,924	9,766,762	1,487,045	7,416,479	762,733	6,103	384,911	19,893,958
Accumulated depreciation	-	(6,919,022)	(1,286,801)	(5,332,362)	(658,533)	-	(213,819)	(14,392,537)
Carrying amount at 31 December 2021	**69,924**	**2,847,740**	**218,244**	**2,084,117**	**104,201**	**6,103**	**171,092**	**5,501,421**

8 Intangible Assets

In thousands of Armenian Drams	**Internally developed software**	**Acquired software licenses**	**Total**
Cost at 1 January 2020	876,472	8,050	884,522
Accumulated amortisation	(604,745)	(4,598)	(609,343)
Carrying amount at 1 January 2020	**271,727**	**3,452**	**275,179**
Additions	9,618	-	9,618
Amortisation charge	(87,112)	-	(87,112)
Carrying amount at 31 December 2020	**194,233**	**3,452**	**197,685**
Cost at 31 December 2020	886,090	8,050	894,140
Accumulated amortisation	(691,857)	(4,598)	(696,455)
Carrying amount at 31 December 2020	**194,233**	**3,452**	**197,685**
Additions	46,122	-	46,122
Amortisation charge	(33,742)	-	(33,742)
Carrying amount at 31 December 2021	**206,613**	**3,452**	**210,065**
Cost at 31 December 2021	932,212	8,050	940,262
Accumulated amortisation	(725,599)	(4,598)	(730,197)
Carrying amount at 31 December 2021	**206,613**	**3,452**	**210,067**

9 Prepayments for Property, Plant and Equipment

Movements in prepayments are as follows:

In thousands of Armenian Drams	**Prepayments for property, plant and equipment**
Carrying value at 1 January 2020	**307,744**
Additions	21,256
Prepayments transferred to property, plant and equipment on receipt of related goods or services	(305,105)
Total prepayments for property, plant and equipment at 31 December 2020	**23,895**
Additions	315,543
Prepayments transferred to property, plant and equipment on receipt of related goods or services	(74,857)
Total prepayments for property, plant and equipment at 31 December 2021	**264,581**

10 Loans Issued

In thousands of Armenian Drams	**31 December 2021**	**31 December 2020**
Non – current loans issued		
Unsecured loans to entity under common control	3,839,572	3,358,578
Total non-current loans issued	**3,839,572**	**3,358,578**
Current loans issued		
Unsecured loans to entity under common control	3,063,927	2,054,263
Total current loans issued	**3,063,927**	**2,054,263**

Loans issued are Company's excess cash provided to Coca-Cola HBC Finance B.V., which acts as a financing entity for the companies belonging to Coca-Cola HBC AG. At 31 December 2021, loans issued of AMD 1,088,182 thousand (2020: AMD 644,405 thousand) are denominated in EUR, AMD 5,815,317 thousand (2020: 4,768,436 thousand) are denominated in USD.

The classification of the loan either to current or non-current is done based on the maturity of the contracts. As per contract terms for the placements in EUR the interest rate is defines as 3M EURIBOR +0.933% and for USD placements 3M USD SOFR + 0.933%, both rates are to be reset on a quarterly basis and new rate determined.

The company applies IFRS 9 to measuring expected credit losses which uses a 12-month expected credit loss for the loans issued. Based on the analysis performed by the management of the company the expected credit loss as at 31 December 2021 is not significant.

11 Inventories

In thousands of Armenian Drams	**31 December 2021**	**31 December 2020**
Raw materials	592,709	582,414
Purchased goods	823,940	421,752
Manufactured goods	189,766	158,337
Spare parts	82,212	73,958
Returnable containers in warehouse	108,634	159,833
Returnable containers in trade	186,173	222,962
Other consumables	135,631	139,484
Total inventories	**2,119,065**	**1,758,740**

12 Trade and Other Receivables

In thousands of Armenian Drams	**31 December 2021**	**31 December 2020**
Trade receivables	223,037	217,594
Other financial receivables	-	-
Less impairment loss provision	(101,160)	(66,703)
Total financial assets within trade and other receivables	**121,877**	**150,891**
Prepayments for current assets	140,587	230,785
VAT recoverable	-	7,885
Other receivables	-	2,410
Total trade and other receivables	**262,464**	**391,971**

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

The expected loss rates are based on the payment profiles of customers over a period of 24 month before each balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The credit loss allowance for trade and other receivables is determined according to provision matrix presented in the table below. The provision matrix is based the number of days that an asset is past due, adjusted for LGD rate.

	31 December 2021				**31 December 2020**			
In % gross value	**Loss rate**	**Gross carrying amount**	**Lifetime ELC**	**Net carrying value**	**Loss rate**	**Gross carrying amount**	**Lifetime ELC**	**Net carrying value**
Trade receivables								
- current	1.16%	78,785	912	77,872	0.20%	121,068	243	120,825
- less than 14 days overdue	8.04%	19,637	1,578	18,059	2.35%	4,384	103	4,281
- 15-to 30 days overdue	44.02%	19,154	8,432	10,722	9.99%	1,334	133	1,201
- 31-to 60 days overdue	44.02%	7,167	3,155	4,012	12.94%	4,332	560	3,772
- 61-to 90 days overdue	59.34%	7,678	4,556	3,122	20.15%	3,698	745	2,953
- 91-to 120 days overdue	74.02%	3,914	2,897	1,017	24.58%	2,696	663	2,033
- more than 120 days overdue	74.00%	27,203	20,131	7,072	26.81%	21,623	5,797	15,826
Individually assessed	100%	59,499	59,499	-	100%	58,459	58,459	-
Total		**223,037**	**101,160**	**121,876**		**217,594**	**66,703**	**150,891**

12 Trade and Other Receivables (Continued)

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

The movement in the impairment provision for trade receivables during 2021 is as follows:

In thousands of Armenian Drams	2021	2020
Provision for impairment at 1 January	**66,703**	**65,942**
Provision for impairment during the year*	34,457	761
Written off receivables during the year	-	-
Provision for impairment at 31 December	**101,160**	**66,703**

Movements in prepayments for current assets are as follows:

In thousands of Armenian Drams	**Prepayments for current assets**
Carrying value at 1 January 2020	**277,652**
Additions	6,401,133
Prepayments derecognised on receipt of related goods or services	(6,448,000)
Total prepayments for current assets at 31 December 2020	**230,785**
Additions	7,093,774
Prepayments derecognised on receipt of related goods or services	(7,183,972)
Total prepayments for current assets at 31 December 2021	**140,587**

13 Cash and Cash Equivalents

In thousands of Armenian Drams	31 December 2021	31 December 2020
Bank balances payable on demand	2,602,486	1,669,101
Cash on hand	6,441	3,780
Total cash and cash equivalents	**2,608,927**	**1,672,881**

Bank balances payable on demand are held at top 10 Armenian banks and are classified as current and not impaired (31 December 2020: top 10 Armenian banks, current and not impaired).

The table below discloses the credit quality of bank balances payable on demand based on credit risk grades at 31 December 2021 and 2020:

In thousands of Armenian Drams	2021	2020
Ba1 (Moody's)	17,261	15,598
Ba3 (Moody’s)	2,502,958	1,638,088
Not rated	82,267	15,415
Total bank balances payable on demand	**2,602,486**	**1,669,101**

14 Share Capital

The total authorised number of ordinary shares is 25 shares (31 December 2020: 25 shares) with a par value of AMD 53,874 thousand per share (2020: AMD 53,874 thousand per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote. The total amount of share capital in the Company's financial statements differs from the Company's Charter by AMD 336,975 thousand (2020: AMD 336,975 thousand) due to the fact that the registration of the change in the Company's share capital by the State register is still in process as of the date of these financial statements.

Dividends declared and paid during the year were AMD 2,464,550 thousand (2020: 1,439,010 thousand). The dividend per share for 2021 is AMD 98,582 thousand AMD (2020: AMD 57,560.4 thousand per share).

15 Right-of-use assets and lease liabilities

In thousands of Armenian Drams	**Vehicles**	**Total**
Carrying amount at 1 January 2021	**244,975**	**244,975**
Additions	21,201	21,201
Disposals	-	-
Depreciation charge	(95,084)	(95,084)
Carrying amount at 31 December 2021	**171,092**	**171,092**

The Company recognised lease liabilities as follows:

In thousands of Armenian Drams	**31 December 2021**	**1 January 2021**
Short-term lease liabilities	101,573	86,529
Long-term lease liabilities	85,576	172,410
Total lease liabilities	**187,149**	**258,939**

Interest expense included in finance costs of 2021 was AMD 18,828 thousand (2020: AMD 21,364 thousand).

16 Trade and Other Payables

In thousands of Armenian Drams	**31 December 2021**	**31 December 2020**
Trade payables	2,570,987	2,662,023
Accrued liabilities	547,786	290,234
Total financial payables within trade and other payables	**3,118,773**	**2,952,257**
Employee related reserves	147,432	113,812
Vacation reserve	49,988	25,920
Other taxes payable	1,314	2,132
Total trade and other payables	**3,317,507**	**3,094,121**

17 Deposit Liabilities

In thousands of Armenian Drams	**31 December 2021**	**31 December 2020**
Liabilities for returnable bottles in trade	100,392	150,109
Liabilities for returnable cases in trade	85,781	72,853
Total deposit liabilities	**186,173**	**222,962**

18 Analysis of Revenue by Category

Revenues from external customers for each group of similar products or services are as follows (all revenues in 2021 and 2020 were recognized at a point in time):

In thousands of Armenian Drams	**2021**	**2020**
Sales of manufactured goods	18,294,383	14,125,969
Sales of purchased goods	9,613,865	6,290,036
Total revenue	**27,908,248**	**20,416,005**

19 Operating Income and Expenses

In thousands of Armenian Drams	**Note**	**2021**	**2020**
Materials and components used		7,741,914	5,395,683
Cost of purchased goods sold		6,512,333	4,419,840
Staff costs		2,665,831	2,349,438
Advertising expenses		1,678,354	916,653
Depreciation of property, plant and equipment	7	941,777	1,060,214
Intercompany consulting fees		615,942	400,871
Utilities and communication expenses		419,792	319,865
Information, consulting and other professional services		297,571	449,596
Foreign exchange losses less gains		266,165	-
Repairs and maintenance services		226,635	132,231
Fuel Consumed		164,103	112,077
Spare parts consumed		74,075	51,282
Business trips and representation		56,563	58,914
Insurance expenses		52,662	37,844
Amortisation of intangible assets	8	33,742	87,112
Training costs		24,273	19,398
Taxes other than on income		2,524	27,383
Loss of finished goods and materials		-	159,706
Gains less losses on disposal of property, plant and equipment		-	107,858
Other expenses		1,245,264	941,241
Changes in inventories of finished goods and work in progress		31,429	(134,718)
Total operating expenses		**23,050,949**	**16,912,488**

19 Operating Income and Expenses (Continued)

Other operating income

In thousands of Armenian Drams	**2021**	**2020**
Debt forgiveness	901,133	519,629
Losses less gains on disposal of property, plant and equipment	53,811	-
Foreign exchange gains less losses	-	148,504
Other income	-	88,256
Total other operating income	**954,944**	**756,389**

20 Income Taxes

(a) Components of income tax expense

Income tax expense comprises the following:

In thousands of Armenian Drams	**2021**	**2020**
Current tax	1,213,796	840,663
Deferred tax	(18,990)	174,132
Income tax expense for the year	**1,194,806**	**1,014,795**

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

The income tax rate applicable to the majority of the Company's income is 18%.

In thousands of Armenian Drams	**2021**	**2020**
Profit before income tax	**6,053,042**	**4,395,608**
Theoretical tax charge at statutory rate of 18%	(1,089,548)	(791,210)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income which is exempt from taxation	70,362	103,487
- Non-deductible expenses	(202,038)	(277,872)
Under/(over) provision of current tax in prior years	26,417	(49,200)
Income tax expense for the year	**(1,194,806)**	**(1,014,795)**

20 Income Taxes (Continued)

(c) Deferred taxes analysed by type of temporary difference

The tax effect of the movements in the temporary differences for the year ended 31 December 2021 are:

In thousands of Armenian Drams	**1 January 2021**	**Charged/(credited) to profit or loss**	**31 December 2021**
Tax effect of temporary differences			
Property, plant and equipment	(276,403)	(1,395)	(277,798)
Intangible assets	(2,842)	(7,388)	(10,230)
Non-current advances	8,465	6,480	14,945
Loans issued	(4,611)	(8,290)	(12,901)
Inventory	99,280	(29,320)	69,960
Trade and other receivables	2,472	(30,623)	(28,151)
Obligation Under Leases (NC)	-	-	-
Deposit liabilities	40,133	(6,622)	33,511
Trade and other payables	(62,411)	96,148	33,737
Net deferred tax liability	**(195,917)**	**18,990**	**(176,927)**

The tax effect of the movements in the temporary differences for the year ended 31 December 2020 are:

In thousands of Armenian Drams	**1 January 2020**	**Charged/(credited) to profit or loss**	**31 December 2020**
Tax effect of temporary differences			
Property, plant and equipment	(305,731)	29,328	(276,403)
Intangible assets	(1,690)	(1,152)	(2,842)
Non-current advances	-	8,465	8,465
Loans issued	(13,130)	8,519	(4,611)
Inventory	88,599	10,681	99,280
Trade and other receivables	11,634	(9,162)	2,472
Obligation Under Leases (NC)	18,091	(18,091)	-
Deposit liabilities	38,152	1,981	40.133
Trade and other payables	142,290	(204,701)	(62,411)
Net deferred tax liability	**(21,785)**	**(174,132)**	**(195,917)**

21 Contingencies and Commitments

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

Tax legislation. The taxation system in the RA 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. A tax year remains open for review by the tax authorities during the three subsequent calendar years.

These circumstances may create tax risks in the RA 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.

21 Contingencies and Commitments (Continued)

Capital expenditure commitments. At 31 December 2021 the Company has contractual capital expenditure commitments in respect of property, plant and equipment totalling AMD 266,298 thousand (2020: AMD 300,113 thousand).

22 Financial Risk Management

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

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

Company's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets on the balance sheet and is as follows:

In thousands of Armenian Drams	**2021**	**2020**
Loans issued (Note 10)		
- Loans issued	6,903,499	5,412,841
Trade and other receivables (Note 12)		
- Trade receivables, net	121,877	150,891
Cash and cash equivalents (Note 13)		
- Bank balances payable on demand	2,602,486	1,669,101
Total maximum exposure to credit risk	**9,627,862**	**7,232,833**

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by management. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The Company reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 12.

Credit risks concentration. The Company is not exposed to significant concentrations of credit risk.

The Company's cash and cash equivalents are held with two banks (31 December 2020: two banks) thus exposing the Company to a concentration of credit risk.

Expected credit loss (ECL) measurement. *ECL* is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Company: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.
Company's approach to incorporate ECL measurement is described in note 12.

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements. Open positions are formulated mainly in relation to payables for property, plant and equipment, raw materials and borrowings.

22 Financial Risk Management (Continued)

Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total. The positions are monitored monthly. The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2021			**At 31 December 2020**		
In thousands of Armenian Drams	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
USD	5,829,852	(481,705)	5,348,147	4,775,867	(912,847)	3,863,020
EUR	1,373,864	(772,241)	601,623	652,464	(575,610)	76,854
RUB	5,525	(113,047)	(107,522)	97	(17,356)	(17,259)
GBP	14	-	14	15	-	15
Total	**7,209,255**	**(1,366,994)**	**5,842,261**	**5,428,443**	**(1,505,813)**	**3,922,630**

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

In thousands of Armenian Drams	**31 December 2021**	**31 December 2020**
	Impact on profit or loss	**Impact on profit or loss**
USD strengthening by 5% (2020: strengthening by 5%)	267,407	193,151
USD weakening by 5% (2020: weakening by 5%)	(267,407)	(193,151)
EUR strengthening by 5% (2020: strengthening by 5%)	30,081	(3,843)
EUR weakening by 5% (2020: weakening by 5%)	(30,081)	3,843
RUB strengthening by 5% (2020: strengthening by 20%)	(5,376)	(863)
RUB weakening by 5% (2020: weakening by 20%)	5,376	863
GBP strengthening by 5% (2020: strengthening by 5%)	3	1
GBP weakening by 5% (2020: weakening by 5%)	(3)	(1)

22 Financial Risk Management (Continued)

Interest rate risk. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Company's exposure to interest rate risks. The table presents the aggregated amounts of the Company's financial assets at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In thousands of Armenian Drams	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2021					
Total financial assets	24,590	-	3,039,338	3,839,572	6,903,500
Net interest sensitivity gap at 31 December 2021	**24,590**	**-**	**3,039,338**	**3,839,572**	**6,903,500**
31 December 2020					
Total financial assets	49,182	531,301	1,473,780	3,358,578	5,412,841
Net interest sensitivity gap at 31 December 2020	**49,182**	**531,301**	**1,473,780**	**3,358,578**	**5,412,841**

The Company does not have formal policies and procedures in place for management of interest rate risks as management considers this risk as insignificant to the Company's business. The Company monitors interest rates for its financial instruments. The table below summarises effective interest rates at the respective end of the reporting period based on the reports reviewed by key management personnel:

	2021	2020
Loans issued	0.3 -2.3	2.5 - 4

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by management by daily follow-up. The Treasury department of parent company monitors monthly rolling forecasts of the Company's cash flows.

At 31 December 2021 and 2020 the Company does not have amounts due to banks or other financial institutions. The Company's liquidity portfolio comprises cash and cash equivalents, refer to Note 13. Management estimates that the liquidity portfolio of cash at banks can be realised in cash within a day in order to meet unforeseen liquidity requirements. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The table below shows liabilities at 31 December 2021 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments and future interest payments. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

22 Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2021 is as follows:

In thousands of Armenian Drams	**Demand and less than 1 month**	**From 1 to 6 months**	**6 months to 12 months**	**From 12 months to 5 years**	**Total**
Liabilities					
Trade payables & Accrued liabilities (Note16)	1,285,672	1,810,826	221,009	-	3,317,507
Lease Liabilities (Note 15)	7,011	43,776	52,812	85,575	187,149
Total future payments, including future principal and interest payments	**1,292,683**	**1,854,602**	**271,796**	**85,575**	**3,504,656**

The maturity analysis of financial liabilities at 31 December 2020 is as follows:

In thousands of Armenian Drams	**Demand and less than 1 month**	**From 1 to 6 months**	**6 months to 12 months**	**From 12 months to 5 years**	**Total**
Liabilities					
Trade payables & Accrued liabilities (Note16)	2,886,238	86,019	-	-	2,952,257
Lease Liabilities (Note 15)	9,567	47,835	52,812	169,247	279,461
Total future payments, including future principal and interest payments	**2,895,805**	**133,854**	**52,812**	**169,247**	**3,251,718**

23 Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Company managed as of 31 December 2021 was AMD 13,480,366 thousand (31 December 2020: AMD 11,006,717 thousand).

24 Fair Value of Financial Instruments

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

Receivables carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

24 Fair Value of Financial Instruments (Continued)

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Fair values of financial instruments carried at amortised cost are as follows:

	31 December 2021		31 December 2020	
In thousands of Armenian Drams	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair Value**
Trade and other financial receivables	121,877	121,877	150,891	150,891
Cash and cash equivalents	2,608,927	2,608,927	1,672,882	1,672,882
Loans issued	6,903,499	3,063,927	2,019,734	2,019,734
Trade and other financial payables	2,942,622	2,942,622	2,952,257	2,952,257

25 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 “Financial Instruments” classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category.

The following table provides a reconciliation of financial assets with the following measurement category as of 31 December 2021 and 2020:

In thousands of Armenian Drams	**31 December 2021 - AC**	**31 December 2020 - AC**
ASSETS		
Loans issued (Note 10)	6,903,499	5,412,841
Trade and other receivables (Note 12)		
- Trade receivables, net	121,877	150,891
Cash and cash equivalents (Note 13)		
- Bank balances payable on demand	2,602,486	1,669,101
- Cash on hand	6,441	3,780
Total financial assets	**9,634,303**	**7,236,613**

All of the Company’s financial liabilities are carried at amortised cost.

26 Balances and Transactions with Related Parties

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

At 31 December 2021, the outstanding balances with related parties were as follows:

In thousands of Armenian Drams	**Entities under common control**	**Other related parties**
Gross amount of other receivables	24,826	-
Loans issued	6,903,499	-
Trade and other payables	521,377	4,002

At 31 December 2020, the outstanding balances with related parties were as follows:

In thousands of Armenian Drams	**Entities under common control**	**Other related parties**
Gross amount of other receivables	1	-
Loans issued	5,412,841	-
Trade and other payables	382,723	1,340,013

The income and expense items with related parties for the year ended 31 December 2021 were as follows:

In thousands of Armenian Drams	**Parent**	**Entities under common control**	**Other related parties**
Dividend paid	2,464,550	-	-
Debt forgiveness	-	-	996,730
Purchases of raw materials and consumables	-	-	(4,299,546)
Purchases of goods for resale	-	(4,583,014)	-
Purchases of property, plant and equipment	-	-	(567,907)
Intercompany consulting fee	-	(452,471)	-
IT costs	-	(334,688)	-
Interest income	-	124,871	-
Other expenses	-	(9,262)	-

The income and expense items with related parties for the year ended 31 December 2020 were as follows:

In thousands of Armenian Drams	**Parent**	**Entities under common control**	**Other related parties**
Dividend paid	1,439,010	-	-
Debt forgiveness	-	-	239,724
Purchases of raw materials and consumables	-	-	(3,157,499)
Purchases of goods for resale	-	(3,232,894)	-
Purchases of property, plant and equipment	-	-	(502,784)
Intercompany consulting fee	-	(400,871)	-
IT costs	-	(227,719)	-
Interest income	-	149,399	-
Other expenses	-	(235,288)	-

26 Balances and Transactions with Related Parties (Continued)

All related party transactions were made on an arm's length basis.

Key management compensation is presented below:

	2021		2020	
In thousands of Armenian Drams	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries and short-term bonuses	244,327	75,934	233,456	75,108
Long-term benefits:				
- Long term bonuses	-	-	19,476	19,476
Total	**244,327**	**75,934**	**252,932**	**94,584**

The salaries of key management include contribution to mandatory pension funds amounting AMD 3,360 thousand (2020: AMD 1,848 thousand).

27 Events After Reporting Period

The events involving Ukraine and Russia during the first quarter of 2022 have, among other things, resulted in increased volatility in currency markets while also having a negative impact on the financial and commodity markets stability. Management does not consider that a direct impact from these events exists at this stage.