CELLFIE MOBILE LLC

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

31 December 2022

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Owners and Management of Cellfie Mobile LLC

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cellfie Mobile LLC (the "Company") as at 31 December 2022, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- 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 the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

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

Our opinion on the financial statements does not cover the Management Report.

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the Management Report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

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In addition, we are required by the Law of Georgia on Accounting, Reporting and Auditing to express an opinion whether certain parts of the Management Report comply with respective regulatory normative acts and to consider whether the Management Report includes the information required by the Law of Georgia on Accounting, Reporting and Auditing.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the information given in the Management Report complies with the requirements of paragraph 6 of article 7 of the Law of Georgia on Accounting, Reporting and Auditing.

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 with the requirements of the Law of Georgia on Accounting, Reporting and Auditing, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going

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

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

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

PricewaterhouseCoopers Georgia LLC (Reg.# SARAS-F-775813)

Lasha Janelidze (Reg.#SARAS-A-562091)

12 July 2023
Tbilisi, Georgia

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12 July 2023
Tbilisi, Georgia

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property and equipment	8	86,510	76,517
Right of use asset	10	23,743	19,393
Intangible assets	9	8,370	8,239
Other non-financial assets	12	3,507	4,347
Total non-current assets		**122,130**	**108,496**
Current assets			
Inventories		383	385
Trade and other receivables	11	15,221	9,390
Other non-financial assets	12	5,472	6,504
Cash and cash equivalents	13	17,422	19,517
Total current assets		**38,498**	**35,796**
TOTAL ASSETS		**160,628**	**144,292**
EQUITY			
Subscribed capital	14	2	2
Additional paid in capital	14	488,165	616,734
Other reserves	14	(81,792)	-
Accumulated deficit		(997,769)	(1,057,684)
TOTAL EQUITY		**(591,394)**	**(440,948)**
LIABILITIES			
Non-current liabilities			
Borrowings	15	658,603	493,508
Lease liabilities	16	14,909	15,553
Provisions for asset retirement obligations	17	1,921	2,677
Total non-current liabilities		**675,433**	**511,738**
Current liabilities			
Borrowings	15	9,192	-
Lease liabilities	16	9,316	7,171
Trade and other payables	18	49,449	58,355
Other non-financial liabilities	12	8,632	7,976
Total current liabilities		**76,589**	**73,502**
TOTAL LIABILITIES		**752,022**	**585,240**
TOTAL LIABILITIES AND EQUITY		**160,628**	**144,292**

Authorised for issuance on behalf of the Management on 12 July 2023 by:

Vasil Berishvili
Chief Executive Officer

Irakli Chedia
Chief Financial Officer

Statement of Financial Position

(All amounts in thousands of Georgian Lari unless otherwise stated)

	Note	31 December 2022	31 December 2021
ASSETS			
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Authorised for issuance on behalf of the Management on 12 July 2023 by:

Vasil Berishvili
Chief Executive Officer

Irakli Chedia
Chief Financial Officer

The accompanying notes on pages 5 to 42 are an integral part of these financial statements.

	Note	2022	2021
Service revenue	19	140,658	125,802
Total operating revenue		**140,658**	**125,802**
Depreciation of property and equipment and right-of-use assets	8,10	(30,622)	(24,349)
Service costs	20	(25,273)	(22,557)
Employee benefits expense		(21,014)	(17,640)
Utility expenses		(8,099)	(7,233)
Maintenance expense		(8,094)	(9,234)
Amortisation of intangible assets	9	(4,141)	(3,278)
Marketing expense		(3,202)	(3,492)
Net loss on disposal and impairment of property and equipment	8	(96)	(639)
Management fee	22	(81)	(495)
Other operating expenses	21	(11,472)	(10,397)
Operating profit		**28,564**	**26,488**
Finance costs	23	(58,415)	(61,287)
Finance income	24	968	942
Foreign exchange gain, net		87,200	28,410
Other non-operating income	25	507	258
Profit/(loss) before income tax		**58,824**	**(5,189)**
Income tax expense	26	-	-
NET INCOME/(LOSS) FOR THE YEAR		**58,824**	**(5,189)**
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**58,824**	**(5,189)**

	Note	Subscribed capital	Additional paid in capital	Other reserves	Accumulate deficit	Total equity
At 1 January 2021	14	**2**	**616,734**	**-**	**(1,052,495)**	**(435,759)**
Net loss for the year		-	-	-	(5,189)	**(5,189)**
Total comprehensive loss for the year		**-**	**-**	**-**	**(5,189)**	**(5,189)**
At 31 December 2021	14	**2**	**616,734**	**-**	**(1,057,684)**	**(440,948)**
Net income for the year		-	-	-	58,824	**58,824**
Total comprehensive income for the year		**-**	**-**	**-**	**58,824**	**58,824**
Net effect of fair value measurement of borrowings from shareholder	15	-	(128,569)	-	-	**(128,569)**
Recognition of joint borrowings	15	-	-	(86,242)	-	**(86,242)**
Repayments of joint borrowings	15	-	-	5,541	-	**5,541**
Transfer of interest expense and foreign exchange effect on joint borrowings		-	-	(1,091)	1,091	**-**
At 31 December 2022	14	**2**	**488,165**	**(81,792)**	**(997,769)**	**(591,394)**

	Note	2022	2021
Cash flows from operating activities			
Income/(loss) for the year before corporate income tax		58,824	(5,189)
Adjustments for:			
Depreciation of property and equipment and right-of-use assets	8,10	30,623	24,349
Amortisation of intangible assets	9	4,142	3,278
Impairment (recovery)/charge on property and equipment	8	(1,356)	524
Loss on disposal of property and equipment	8	1,452	115
(Recovery)/loss on impairment of trade and other receivables	11	(665)	334
Changes in provision for asset retirement obligations	17	(122)	(195)
Finance income	24	(968)	(942)
Finance costs	23	58,415	61,287
Other non-cash operating (income)/costs		(1,097)	-
Foreign exchange (gain)/loss, net		(87,200)	(28,410)
Operating cash flows before working capital changes in:		**62,048**	**55,151**
Trade and other receivables		(7,071)	(1,329)
Other non-financial assets		1,872	970
Inventories		4	53
Trade and other payables		6,423	(6,973)
Other non-financial liabilities		656	(575)
Interest received		773	842
Interest paid		(2,583)	(1,826)
Net cash from operating activities		**62,122**	**46,313**
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		(44,547)	(28,457)
Net cash used in investing activities		**(44,547)**	**(28,457)**
Cash flows from financing activities			
Repayment of borrowings	15	(8,110)	-
Repayment of lease liabilities		(11,687)	(9,777)
Net cash used in financing activities		**(19,797)**	**(9,777)**
Net (decrease)/increase in cash and cash equivalents		**(2,222)**	**8,079**
Effect of exchange rate changes on cash and cash equivalents		127	(402)
Cash and cash equivalents at beginning of the year	**13**	**19,517**	**11,840**
Cash and cash equivalents at the end of the year	**13**	**17,422**	**19,517**

1 Corporate Information

Cellfie Mobile LLC ("Cellfie Mobile", "the Company"), former VEON Georgia LLC (Note 34), was registered on 19 November 2003 and is domiciled in Georgia. The Company is a limited liability company, set up in accordance with Georgian regulations, and is registered by the Krtsanisi-Mtatsminda district court with identification number: 204450584.

On 8 June 2022, Veon Ltd announced that it has completed an agreement for the sale of VEON Georgia LLC (further referred as “M&A transaction”) to the minority shareholder, Khvicha Makatsaria, who became ultimate owner and controlling party of the shareholding companies of VEON Georgia LLC - Watertrail Industries Ltd (BVI) 71% and Investico Alliance Ltd (BVI) 29%.

Neither the Company’s immediate parent nor the ultimate controlling party produce consolidated financial statements that are available for public use and comply with IFRS.

Principal activity. The Company earns revenues by providing mobile telecommunication services of GSM standard under the trademark "Beeline" throughout most of the major cities in Georgia (Note 34).

The Company operates in accordance with the following licences issued by Georgian National Communications Commission (GNCC):

- License #F5, #42 and #59 (radio frequency spectrums: 1775-1785 MHz, 1870-1880 MHz, 884.50-889.99 MHz and 929.50-934.99 MHz, together referred as “2G”) combined as per GNCC’s decision #55/2 issued on 29 January 2015 with prolonged maturity to 1 February 2030;
- License #F97 (Long-Term Evolution radio frequency spectrums: 806-816 MHz and 847-857 MHz, together referred as “4G LTE”), a standard for wireless communication of high-speed data for mobile phones and data terminals, issued on 29 January 2015 by GNCC’s decision #56/1 with maturity on 1 February 2030; and
- License #101 and #102 (radio frequency spectrums: 1925 -1930 MHz and 2115 - 2120 MHz - License F101; and 1930 - 1935 MHz and 2120 - 2125 MHz – License F102, together referred as “3G”) issued on 29 December 2016 by GNCC`s decisions 854/1 and 855/1 with maturity on 29 December 2031.

Registered address and place of business. The Company’s registered address is #8 Bambis Rigi, Tbilisi, Georgia and principal place of business is #118 A. Tsereteli Avenue.

2 Operating Environment of the Company

The Company’s principal business activities are within Georgia. Georgia displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. Georgian tax legislation is subject to varying interpretations and frequent changes. The future economic direction of Georgia is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Since 2021, Georgian economy has demonstrated positive dynamics in recovery from the Covid-19 pandemic, which positively impacted the Company’s operations.

Despite Georgia’s vulnerability to developments in Ukraine and Russia and economic links with these countries, the economy of Georgia expanded significantly, with real GDP increasing by 10.1% in 2022. The main factors supporting the strong growth are the resilience of Georgia’s terms of trade at the time of rising commodity prices, higher remittance inflows, as well as immigration of citizens of Russia, Belarus and Ukraine that strengthened tourism recovery.

Management is unable to predict all developments which could have an impact on the Georgian economy and consequently what effect, if any, they could have on the future financial position of the Company. Management believes it is taking all the necessary measures to support the sustainability and development of the Company’s business.

3 Basis of Preparation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing, 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.

4 Significant Accounting Policies

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note **Error! Reference source not found.**.

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, and the Company's presentation currency, is the national currency of Georgia, Georgian Lari ("GEL").

Transactions and balances. Transactions denominated in foreign currencies are initially recognised at the functional currency rate prevailing on the date of the transaction. At period end, monetary assets and liabilities are translated to the functional currency using the closing rate with differences taken to the Statement of Profit or Loss and Other Comprehensive Income within 'finance income or costs'. Non-monetary items that are measured in terms of historical cost in foreign currency are translated to the functional currency at the rate prevailing on the initial transaction dates. Non-monetary items carried at fair value are translated to the functional currency at the date when the fair value was determined.

At 31 December 2022, the principal rate of exchange, as determined by the National Bank of Georgia, used for translating foreign currency balances was US Dollar 1 = GEL 2.7020 and EURO 1 = GEL 2.8844 (as at 31 December 2021: US Dollar 1 = GEL 3.0976 and EURO 1 = GEL 3.5040). At present, the Georgian Lari is not a freely convertible currency in most countries outside of Georgia.

Revenue recognition. Cellfie Mobile generates revenues from providing retail and wholesale mobile telecommunication services through a range of wireless and broadband networks. Products and services may be sold separately or in bundled packages.

Service revenues

Service revenues include revenues from airtime charges from contract and prepaid subscribers, monthly contract fees, interconnect revenues, roaming charges and charges for value added services ("VAS"). VAS includes short messages ("SMS"), multimedia messages ("MMS"), caller number identification, call waiting, data transmission, mobile internet, downloadable content and other services. The content revenue relating to VAS is presented net of related costs when the Company acts as an agent of the content providers and gross when the Company acts as the principle of the transaction. More specifically, the accounting for revenue sharing agreements and delivery of content depends on the analysis of the facts and circumstances surrounding these transactions, which will determine if the revenue is recognised gross or net.

Revenue for services with a fixed term, including fixed-term tariff plans and monthly subscriptions, is generally recognised over time, on a straight-line basis. For pay-as-you-use plans, in which the customer is charged based on actual usage, revenue is recognised over time, on a usage basis. Some tariff plans allow customers to rollover unused services to the following period. For these tariff plans, revenue is generally recognised over time, on a usage basis.

Sales of prepaid cards, used as a method of cash collection, is accounted for as customer advances for future services and the respective revenue is deferred until the customer uses the airtime. Subscriber balances are written-off to expenses in case of negative (receivable) balances and to income in case of positive (advances received) balances after certain period of inactivity. Mentioned period is three months for negative and six months for positive balances.

4 Significant Accounting Policies (continued)

Interconnect and roaming revenue

Interconnect revenue is generated when the Company receives traffic from mobile or fixed subscribers of other operators and that traffic terminates on Cellfie Mobile's network.

Roaming revenues include both revenues from Cellfie Mobile customers who roam outside of their home country network and revenues from other wireless carriers for roaming by their customers on Cellfie Mobile's network. For both revenue streams the Company has a single performance obligation and recognises mobile usage and roaming service revenues based on minutes of traffic processed when the services are rendered over the time. Revenues due from foreign carriers for international roaming calls are recognised in the period in which the call occurs.

Application to person (A2P) revenue

A2P revenue represents revenues generated from commercial entities, who use the Company`s network to distribute business messages. A2P SMS is a message in which recipients are not expected to reply, which is frequently used by businesses in order to communicate with consumers. The revenue is recognised in the period when the service is rendered.

Connection fees

Cellfie Mobile defers upfront telecommunications connection fees. The deferral of revenue is recognised over the estimated average subscriber life or the minimum contractual term.

Upfront (access) fees

All the special service or discount offerings are active for one month (no rollovers exist). Therefore, Cellfie Mobile defers related upfront access fees over a period of 30 days. In addition, Cellfie Mobile defers fees charged to subscribers for tariff plan changes service over the estimated average subscriber life or the minimum contractual term.

Multiple elements agreements ("MEA")

MEA are agreements under which Cellfie Mobile provides more than one service. Services/products may be provided or "bundled" under different agreements or in groups of agreements which are interrelated to such an extent that, in substance, they are elements of one agreement.

Although the bundle of core services is made up of a series individual performance obligations the Standalone Selling Price needs to be determined first for the bundle as a whole, and only then for the individual components within the bundle.

The Standalone Selling Price of a service bundle is determined by reference to the observable price of Cellfie Mobile's 'equivalent' SIM-only tariffs, being those for which both the airtime service entitlements and contract duration are substantively the same. As such, the Standalone Selling Price for the bundle will be used, and treated as a single performance obligation, except when:

- The Standalone Selling Price of the bundle of the core services cannot be determined (for example, the services bundle is never sold separately without a device); or
- The total transaction price of the bundle of core services exceeds the sum of the Standalone Selling Price's of the individual services.

In these circumstances, the company applies the residual method for allocating transaction price to service bundles. The Standalone Selling Price of equipment is the price for which the equipment is offered for sale by Cellfie Mobile on a standalone basis.

Employee benefits. Wages, salaries, contributions to the Georgian state pension funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

4 Significant Accounting Policies (continued)

Customer acquisition costs. Certain costs are incurred when the Company acquires a contract with a new or existing customer. The costs of obtaining a contract with a customer are recorded on the balance sheet only if:

- The costs are incremental to acquiring a contract with customer;
- The incremental costs are recoverable;
- The cost incurred has added value to Cellfie Mobile.

All the costs that do not qualify above mentioned criteria are expensed when incurred.

Classification of non-operating items. The Company distinguishes results of operations into operating and non-operating parts depending on the nature of the transaction. Results that directly relate to operations are classified as operating items regardless of whether they involve cash, occur irregularly, infrequently, or are unusual in amount. Results that do not directly relate to operations such as sale of investments, changes in fair value of investments and other financial instruments are classified as non-operating.

Interest income/expense. For financial instruments measured at amortized cost interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts based on the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income or expense is included in financing income/costs in the Statement of Profit or Loss and Other Comprehensive Income.

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

On 13 May 2016, the Government of Georgia enacted the changes in the Tax Code of Georgia whereby companies (other than banks, credit unions, insurance companies, microfinance organizations and pawn shops) do not have to pay income tax on their profit earned since 1 January 2017, until that profit is distributed or deemed distributed in a form of dividend.15% income tax is payable on gross up value (i.e. net dividends shall be grossed up by withholding tax 5%, if applicable, and divided by 0.85) at the moment of the dividend payment to individuals or to non-resident legal entities. Dividends paid to resident legal entities from the profits earned since 1 January 2017 are tax exempted.

Dividends on earnings accumulated during the period from 1 January 2008 to 1 January 2017 is subject to income tax on grossed up value, reduced by respective tax credit calculated as a share of corporate income tax declared and paid on taxable profits vs total net profits for the same period multiplied to the dividend to be distributed. However, tax credit amount should not exceed the actual income tax imposed on dividend distribution.

Income tax arising from distribution of dividends is accounted for as an income tax expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. A contingent income tax liability which would arise upon the payment of dividends is not recognised in the statement of financial position.

In addition to the distribution of dividends, the tax is still payable on expenses or other payments incurred not related to economic activities, free delivery of assets or services and representation costs that exceed the maximum amount determined by the Tax Code of Georgia. All advances paid to entities registered in jurisdictions having preferential tax regime and other certain transactions with such entities as well as loans granted to individuals or non-residents are immediately taxable. Such taxes along with other taxes, net of tax credits claimed on assets or services received in exchange for the advances paid to entities registered in jurisdictions having preferential tax regime or recovery of loans granted to individuals or non-residents, are recorded under ‘Taxes other than on income’ within operating expenses.

4 Significant Accounting Policies (continued)

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

Value Added Tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Input VAT related to acquisition of Property, Plant and Equipment items are deferred for 5 to 10 years for entities having more than 20% of its turnover exempt from VAT without right to credit. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Property and equipment. Property and equipment (P&E) are stated at cost, less accumulated depreciation and accumulated impairment losses, if any.

The costs of an item of P&E include:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. This includes capitalising the internal labour cost of technical departments involved in the network development;
- initial cost estimations of dismantling and removing the item and restoring the site to which it is located, with an equal obligation recognised;
- costs of installation and assembly of a connection line between the customer and the Company's network;
- costs of site preparation, e.g. creating a foundation for the installation of connections; and
- professional fees, e.g. for engineers.

Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful lives
Buildings	20 years
Telecommunications equipment	6-20 years
Office equipment	6-10 years
Furniture	10 years
Vehicles	5 years
Other	3-10 years

Repair and maintenance costs which do not meet capitalization requirements are expensed as incurred.

The carrying amount of an item in P&E is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss from derecognition of an item in P&E is calculated as the difference between the net proceeds from disposal, if any, and the carrying amount of the item, and is included in the Statement of Profit or Loss and Other Comprehensive Income when derecognised.

Each asset's residual value, useful life and method of depreciation is reviewed at the end of each financial year and adjusted prospectively if necessary.

4 Significant Accounting Policies (continued)

Borrowing costs. Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset, that necessarily takes a substantial period of time (longer than six months) to get ready for its intended use, are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period incurred. Borrowing costs consist of interest and other costs that Cellfie Mobile incurs in connection with the borrowing of funds in order to produce qualifying assets.

Right-of-use assets. The Company leases lands, offices for stores, office building and other spaces where network equipment is located. Contracts contain only lease components and each site lease is accounted as a single lease component.

Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are depreciated over the lease term (considering extension options) on a straight-line basis.

Below are the identified lease categories applicable to Cellfie Mobile together with the reasonably certain lease term according to the Company's policy:

	Useful lives
Stores	3 years
Space for tower sites	5 - 8 years
Warehouses	5 years
Office buildings	3 - 7 years

Intangible assets. Intangible assets acquired separately are measured initially at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets (excluding eligible development costs) are expensed in the income statement as incurred.

Intangible assets with a finite useful life are amortised over the assigned life on a systematic basis starting from the date the asset is ready for use. The amortisation method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company. If that pattern cannot be determined reliably, the straight-line method is used. For intangible assets associated with customer relationships, the Company uses a declining balance amortization pattern based on the value contribution brought by customers. For other intangible

assets the straight-line method is used. The useful lives for licenses and other significant intangibles depend on details and terms of the license or other agreements. The amortization charge for each period is recognised in profit or loss. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least annually.

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

	Useful lives
Telecommunication licenses	10 -15 years
Software licenses	3 - 10 years
Other licenses	1 - 8 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the asset is derecognised.

4 Significant Accounting Policies (continued)

Impairment of assets. The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment on inventories, are recognised in the Statement of Profit or Loss and Other Comprehensive Income in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

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).

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.

4 Significant Accounting Policies (continued)

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. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

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 in the following measurement categories: FVTPL, FVOCI and 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. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

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"). 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 – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

4 Significant Accounting Policies (continued)

Financial assets impairment – credit loss allowance for ECL. The Company assess, 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.

The Company applies the simplified approach for calculating a lifetime ECL for its trade and other receivables, as well as for contract assets recognised as part of revenue recognition under IFRS 15. The expected loss rates are based on the payment profiles of sales over a period of last 12 months and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information. The Company analyses different macroeconomic indicators however, macroeconomic indicators do not have material effect and thus the Company does not apply such forward-looking adjustment to its default rates.

The company uses the following segments for ECL calculation purposes:

- Receivables from customers;
- Receivables due for roaming and interconnect;
- Other trade receivables;

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. The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification.

4 Significant Accounting Policies (continued)

If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets) and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

The Company's financial liabilities include trade and other payables, loans and borrowings and leases which are classified at AC.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the Statement of Profit or Loss and Other Comprehensive Income.

Loans and borrowings from parent companies

From time to time the parent companies extend loans and borrowings in the form of below market interest rate loans. Below market interest rate loans from parent companies are initially recognised at fair value, being the present value of future repayments based on expected maturities of the loan using market interest rate.

The difference between the consideration received by the Company under the loan and its fair value is treated as an equity contribution by the Parent and is recorded as additional paid-in capital. After initial recognition, these loans and borrowings are measured at amortised cost using the effective interest method.

Subsequent changes in the terms of the loans and borrowings (interest rates, maturity dates, etc.) which are not substantial are considered as changes in estimate and are recognised prospectively from the beginning of the reporting period in which respective change occurred. The resulting gain or loss on remeasurement is included in the finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments. 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 incremental borrowing rate. Incremental borrowing rate is defined as "the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of-use asset in a similar economic environment".

From 2022 the Company uses customized interest rates on loans that align with the rates published by the National Bank of Georgia at the time of lease recognition. Various factors are involved in determining the interest rate for leases that are over a similar term, currency, and business sector.

4 Significant Accounting Policies (continued)

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.

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). Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

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.

Inventories. Inventories are valued at the lower of cost and net realizable value. The costs of inventories is comprised of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are expensed by applying the weighted-average cost method.

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

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

Estimated costs of dismantling and removing an item of property, plant and equipment (asset retirement obligations) are added to the cost of the item either when an item is acquired or as the item is used during a particular period for purposes other than to produce inventories during that period.

Subscribed capital. The amount of subscribed capital is defined by the Company's Charter. The changes in the Company's Charter (including changes in subscribed capital, ownership, etc.) shall be made only based on the decision of the Company's shareholders.

Asset retirement obligations. When there are changes in the measurement of an existing asset retirement obligation due to changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or from changes in the discount rate, the cost of the related asset is adjusted if the related asset is measured using the cost model or the revaluation surplus is adjusted if the asset is measured using the revaluation model.

Provisions. Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. No provision is made where the legal procedures are at too early of a stage.

The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are discounted to their present value if the effect of the time value of money is material. In order to calculate the present value, rate that reflects current market assessments of the time value of money and the risks specific to the liability is used.

4 Significant Accounting Policies (continued)

In some cases, a part or all of the expenditure required to settle a provision is expected to be reimbursed by another party. The reimbursement is recognized only if it is virtually certain that the reimbursement will be received when the obligation is settled. The reimbursement is treated as a separate asset.

Contingent liabilities and assets are not recognised on the statement of financial position.

Amendment of the financial statements after issue. Any changes to these financial statements after issue require approval of the management, who authorised these financial statements.

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Going concern. Management prepared these financial statements on a going concern basis. In making this judgement management has considered that, at the end of the year 2022, its current liabilities exceeded its current assets by GEL 38,091 thousand (2021: GEL 37,706 thousand). The Company recorded net income for the year ended 31 December 2022 of GEL 58,824 thousand, which is mostly attributable to non-operating activities, in particular foreign exchange gains on borrowings of GEL 82,453 thousand. However, the Company consistently generates positive cash inflows from operating activities (2022: GEL 62,122 thousand; 2021: GEL 46,313 thousand). Furthermore, as part of M&A transaction, the accrued management fee payable of GEL 18,424 thousand (Note 22), included in trade and other payables (particularly, in payables for services), was transferred to the current shareholder, Watertrail Industries Ltd (BVI), which is not going to request payment in foreseeable future. Besides, the loans received from the shareholder are fully payable at maturity in 2032 and bear zero interest rate after the transaction. The ultimate owner of the Company has the intention and ability to support the Company with funding requirements, if needed, and to perform other actions, which may be needed to enable the Company's normal operations until at least 12-month period from the date of issuance of these financial statements. As such, Management believes that there is no material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern in foreseeable future.

Events after the reporting period. The financial statements present, among other things, the Company's financial position at the end of the reporting period. In certain circumstances, it is appropriate to adjust the financial statements for events that occurred subsequent to the end of the reporting period but prior to the date the financial statements are authorised for issue, where the events offer greater clarity concerning the conditions that existed at the end of the reporting period. Reported amounts in certain cases should be adjusted for 'adjusting events' that provide evidence of conditions that existed at the end of the reporting period, whereas in other cases ('non-adjusting events'), the Company is not required to change reported amounts, but is required to disclose the nature of the non-adjusting events in the financial statements. Judgment is needed to distinguish between adjusting and non-adjusting events.

Revenue recognition. The Company's revenues primarily consist of revenues from sale of services and periodic subscriptions. The Company offers subscribers, via multiple element arrangements ("bundles") or otherwise, a number of different services with different price plans, and provides discounts in various types and forms, often in connection with different campaigns, over the contractual or average customer relationship period. Determining the standalone selling price of each deliverable can require complex estimates due to the nature of the goods and services provided.

The Company also sells wholesale products to other operators and vendors in different countries and across borders. Management has to make estimates related to revenue recognition, relying to some extent, on information from other operators regarding values of services delivered. Management also makes estimates for the final outcome in instances where the other parties dispute the amounts charged.

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Furthermore, management has to estimate the average customer life in order to calculate the period over which revenue should be recognised. This may occur in the event of an indefinite contract term (stand-ready obligation) or in the event of a series or material rights to renew a contract (i.e. month-to-month contracts). Cellfie Mobile's policy for determining the average customer life is with reference to the following formula:

$$\text{Average customer life} = 1 \div \text{Churn Rate}$$

Management also applies judgement in evaluating whether the Company is acting as a principal or agent in certain circumstances. In this case, among others, the main factor is whether the Company is considered as the primary obligor in the transactions.

Depreciation and amortisation of non-current assets. Depreciation and amortisation expenses are based on management estimates of useful life, residual value, and amortisation method of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and our views on the trends and pace of development may change over time.

Some of the assets and technologies, in which the Company invested several years ago, are still in use and provide the basis for the new technologies. Critical estimates in the evaluations of useful lives for intangible assets include, but are not limited to, the estimated average customer relationship based on churn, the remaining license or concession period and the expected developments in technology and markets.

The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other important relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Company due to local factors such as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate and quality of components used. The actual economic lives of intangible assets may be different than our estimated useful lives, thereby resulting in a different carrying value of our intangible assets with finite lives.

We continue to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. A change in estimated useful lives is a change in accounting estimate, and depreciation and amortization charges are adjusted prospectively.

ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 28. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macroeconomic scenarios. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The Company evaluates different macroeconomic factors, however, macroeconomic factors do not have material effect on the ability of the customers to settle the receivables, thus the Company does not apply such forward-looking adjustment to its historical loss rates.

Depreciation of right-of-use assets. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In such cases, where extension of the lease is legally enforceable, company has identified asset categories and determined reasonably certain lease terms.

The lease term is reassessed if an option is not actually exercised. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Discount rates used for determination of lease liabilities. The Company uses its incremental borrowing rate as a base for calculation of the discount rate because the interest rate implicit in the lease cannot be readily determined.

From 2022 the Company uses customized interest rates on loans that align with the rates published by the National Bank of Georgia at the time of lease recognition. Various factors are involved in determining the interest rate for leases that are over a similar term, currency, and business sector.

Provisions. The Company is subject to various legal proceedings, disputes and claims, including regulatory discussions related to the Company's business, licenses, tax positions and investments, and the outcomes are subject to significant uncertainty. Management evaluates, among other factors, the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Company to increase or decrease the amount recorded or to be recorded for a matter that has not been previously recorded because it was not considered probable or a reasonable estimate could not be made.

For certain operations in emerging markets, the Company is involved in legal proceedings, and regulatory discussions. Management's estimates relating to legal proceedings and regulatory discussions in these countries involve a high level of uncertainty.

Borrowings. Refer to Note 15 for details and sensitivity of assumptions and key estimates used in remeasurement of borrowings.

6 Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2022:

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 property, plant or equipment 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 has to use IAS 2 to measure the cost of those items. Cost does not include depreciation of the asset being tested because it is not yet 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 consolidated 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.

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

7 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 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.

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

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

- *Effective date*: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- *Expected recovery of insurance acquisition cash flows*: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- *Contractual service margin attributable to investment services:* Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- *Reinsurance contracts held – recovery of losses:* When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

7 New Accounting Pronouncements (continued)

- *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.

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

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

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

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

7 New Accounting Pronouncements (continued)

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

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

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

8 Property and Equipment

Property and equipment, at cost, consisted of the following at 31 December 2022 and 2021:

	Land	Buildings	Telecom. equipment	Office equipment	Furniture	Vehicles	Other	CIP*	Total
Cost									
31 December 2020	**1,161**	**7,893**	**328,895**	**38,009**	**711**	**1,134**	**49,759**	**14,575**	**442,137**
Additions	-	-	27	-	-	-	-	35,160	**35,187**
Disposals	-	(3)	(12,884)	(248)	-	(288)	(1,220)	-	**(14,643)**
Transfers	-	124	18,673	1,369	5	-	592	(20,763)	**-**
Changes in estimates of ARO	-	-	(1,205)	-	-	-	-	-	**(1,205)**
31 December 2021	**1,161**	**8,014**	**333,506**	**39,130**	**716**	**846**	**49,131**	**28,972**	**461,476**
Additions	-	-	-	-	-	-	-	31,038	**31,038**
Disposals	-	(37)	(101,068)	(1,533)	(50)	(65)	(2,517)	-	**(105,270)**
Transfers	-	252	37,508	6,691	24	-	675	(45,150)	**-**
Changes in estimates of ARO	-	-	(887)	-	-	-	-	-	**(887)**
31 December 2022	**1,161**	**8,229**	**269,059**	**44,288**	**690**	**781**	**47,289**	**14,860**	**386,357**
Depreciation and impairment									
31 December 2020	**-**	**3,371**	**293,300**	**34,045**	**416**	**946**	**47,434**	**4,761**	**384,273**
Depreciation charge	-	397	11,323	1,741	53	66	1,083	-	**14,663**
Disposals	-	(1)	(12,753)	(244)	-	(288)	(1,215)	-	**(14,501)**
Impairment charge	-	-	-	-	-	-	-	524	**524**
31 December 2021	**-**	**3,767**	**291,870**	**35,542**	**469**	**724**	**47,302**	**5,285**	**384,959**
Depreciation charge	-	403	16,240	2,311	46	63	1,044	-	**20,107**
Disposals	-	(20)	(99,703)	(1,515)	(44)	(65)	(2,516)	-	**(103,863)**
Reversals of impairment	-	-	-	-	-	-	-	(1,356)	**(1,356)**
31 December 2022	**-**	**4,150**	**208,407**	**36,338**	**471**	**722**	**45,830**	**3,929**	**299,847**
Carrying amount									
31 December 2020	**1,161**	**4,522**	**35,595**	**3,964**	**295**	**188**	**2,325**	**9,814**	**57,864**
31 December 2021	**1,161**	**4,247**	**41,636**	**3,588**	**247**	**122**	**1,829**	**23,687**	**76,517**
31 December 2022	**1,161**	**4,079**	**60,652**	**7,950**	**219**	**59**	**1,459**	**10,931**	**86,510**

(*) CIP - Construction in progress and uninstalled equipment

Construction in progress consists of construction of base stations and uninstalled equipment. Upon completion, assets are transferred to Telecommunications equipment.

At 31 December 2022, the gross carrying value of property and equipment, which has been fully depreciated and still in use, was approximately GEL 159,617 thousand (2021: GEL 210,263 thousand).

Impairment assessment. As of 31 December 2022, the management performed an impairment assessment according to which no impairment indicators have been identified. Reversals of impairment of GEL 1,356 thousand (2021: impairment charge of GEL 524 thousand) relate to the recovery of obsolete network equipment not installed, CIP and spare parts.

9 Intangible Assets

The total gross carrying value and accumulated amortization of Cellfie Mobile's intangible assets consisted of the following at 31 December 2022 and 2021:

	Telecommunication licenses, frequencies and permissions	Software	Other intangible assets	Total
Cost				
31 December 2020	**119,697**	**17,889**	**159**	**137,745**
Additions	639	3,486	-	**4,125**
Disposals / write-offs	(752)	(3,277)	-	**(4,029)**
31 December 2021	**119,584**	**18,098**	**159**	**137,841**
Additions	942	3,331	-	**4,273**
Disposals / write-offs	(1,470)	(2,663)	-	**(4,133)**
31 December 2022	**119,056**	**18,766**	**159**	**137,981**
Amortisation and impairment				
31 December 2020	**115,744**	**14,600**	**132**	**130,476**
Amortisation charge	991	2,164	-	**3,155**
Disposals / write-offs	(752)	(3,277)	-	**(4,029)**
31 December 2021	**115,983**	**13,487**	**132**	**129,602**
Amortisation charge	989	3,152	1	**4,142**
Disposals / write-offs	(1,470)	(2,663)	-	**(4,133)**
31 December 2022	**115,502**	**13,976**	**133**	**129,611**
Carrying amount				
31 December 2020	**3,953**	**3,289**	**27**	**7,269**
31 December 2021	**3,601**	**4,611**	**27**	**8,239**
31 December 2022	**3,554**	**4,790**	**26**	**8,370**

10 Right-of-use Assets

The Company leases spaces for towers, stores, office and warehouse. Rental contracts typically have fixed durations ranging from 1 year to 5 years.

	Space for tower sites	Stores and office	Vehicles	Warehouse	Total
Carrying amount at 1 January 2021	**20,166**	**1,768**	**-**	**-**	**21,934**
Additions	4,401	-	464	-	**4,865**
Remeasurements and modifications	2,343	(63)	-	-	**2,280**
Depreciation charge	(8,125)	(1,494)	(67)	-	**(9,686)**
Carrying amount at 31 December 2021	**18,785**	**211**	**397**	**-**	**19,393**
Additions	2,336	137	-	-	**2,473**
Remeasurements and modifications	6,631	5,762	-	-	**12,393**
Depreciation charge	(8,312)	(2,088)	(116)	-	**(10,516)**
Carrying amount at 31 December 2022	**19,440**	**4,022**	**281**	**-**	**23,743**

11 Trade and Other Receivables

	31 December 2022	31 December 2021
Accounts receivable from:		
-customers	1,452	988
-pay-box operators	6,734	4,288
-roaming partners	6,063	4,159
-interconnect services	756	1,180
Other	4,187	3,723
Less: impairment loss provision	(3,971)	(4,948)
Total trade accounts receivable	**15,221**	**9,390**

Trade receivables are mostly non-interest bearing and are generally on 30 days' term and denominated in GEL, USD and EUR.

Trade receivables of GEL 11,620 thousand (2021: GEL 6,719 thousand), net of impairment loss provisions, are denominated in foreign currency, out of which GEL 9,885 thousand (2021: GEL 5,269 thousand) is in US Dollars and GEL 1,735 thousand (2021: GEL 1,450 thousand) is in EUR.

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.

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2022 or 1 January 2022, respectively, and the corresponding historical credit losses experienced within this period.

11 Trade and Other Receivables (continued)

The Company evaluates different macroeconomic factors, however, macroeconomic factors do not have material effect on the ability of the customers to settle the receivables, thus the Company does not apply such forward-looking adjustment to its historical loss rates.

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 on the number of days that an asset is past due, adjusted for forward-looking information.

	31 December 2022				31 December 2021			
	Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value	Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value
Trade receivables								
- current	1%	6,673	84	6,589	1%	3,677	35	3,642
- less than 30 days overdue	10%	1,549	156	1,393	18%	641	114	527
- 30 to 60 days overdue	6%	1,028	63	965	24%	539	130	409
- 61 to 90 days overdue	1%	880	10	870	4%	591	25	566
- over 90 days overdue	72%	4,875	3,514	1,361	87%	5,167	4,499	668
Total	**26%**	**15,005**	**3,827**	**11,178**	**45%**	**10,615**	**4,803**	**5,812**

	31 December 2022				31 December 2021			
	Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value	Loss rate	Gross carrying amount	Lifetime ECL	Net carrying value
Other receivables								
- current	0%	1,228	-	1,228	0%	1,023	-	1,023
- less than 30 days overdue	0%	539	-	539	0%	185	-	185
- 30 to 60 days overdue	0%	74	-	74	0%	107	-	107
- 61 to 90 days overdue	0%	42	-	42	0%	49	-	49
- over 90 days overdue	6%	2,304	144	2,160	6%	2,359	145	2,214
Total	**3%**	**4,187**	**144**	**4,043**	**4%**	**3,723**	**145**	**3,578**

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:

	2022	2021
Allowance for credit losses on trade receivables at 1 January	**(4,948)**	**(4,678)**
Reversals of ECL allowance/(new originated or purchased)	665	(334)
Financial assets derecognised during the period	-	-
Changes in estimates and assumptions	95	-
Total credit loss allowance charge in profit or loss for the period	**760**	**(334)**
Write-offs	217	64
Allowance for credit losses on trade receivables at 31 December	**(3,971)**	**(4,948)**

12 Other Non-Financial Assets and Liabilities

Other non-financial assets consisted of the following:

	31 December 2022	31 December 2021
Advances to suppliers and other prepayments	2,560	2,853
Contract costs	2,031	1,422
Other taxes prepaid, net	881	2,229
Other current non-financial assets	**5,472**	**6,504**
Prepaid VAT on IRU agreements	3,507	4,347
Other non-current non-financial assets	**3,507**	**4,347**

Other non-financial liabilities consisted of the following:

	31 December 2022	31 December 2021
Advances received from customers	2,139	1,935
Amounts due to employees	3,089	3,016
Deferred revenue	3,404	3,003
Other	-	22
Other current non-financial liabilities	**8,632**	**7,976**

13 Cash and Cash Equivalents

Cash and cash equivalents consisted of the following items as at:

	31 December 2022	31 December 2021
Cash on hand	9	6
Bank balances payable on demand	17,377	19,473
Corporate credit cards	32	31
Cash in transit	4	7
Total cash and cash equivalents	**17,422**	**19,517**

The Company earns interest income on current accounts placed in resident banks. Annual interest rates on current accounts range between 6%-8% in local currency and 0-0.4% in foreign currencies (2021: 6%-8% in local currency and 0-1.8% in foreign currencies). In 2022, the Company earned GEL 773 thousand (2021: GEL 843 thousand) of finance income on current accounts.

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2022 and 2021:

	31 December 2022	31 December 2021
Neither past due nor impaired		
- Bank of Georgia JSC – BB-rated (2021: BB-rated) according to Fitch	5,887	7,997
- TBC Bank JSC – B+-rated (2021: BB-rated) according to Fitch	6,403	11,000
- Liberty Bank JSC – BB rated according to Fitch	5,119	-
- VTB Bank JSC – currently not valid (2021: BB-rated) according to S&P	-	507
Total bank balances payable on demand	**17,409**	**19,504**

14 Equity

Subscribed capital. The total subscribed capital of the Company as at 31 December 2022 and 2021 comprised GEL 2 thousand. As at 31 December 2022 the Company had 2 thousand shares, each with a nominal value of GEL 1.

Additional paid in capital. The additional paid-in capital relates to the difference between the fair value and the nominal value of the borrowings from parent companies, refer to Note 15.

Other reserves. In 2022, the Company recognized joint borrowings from banks of GEL 86,242 thousand with corresponding entry to equity, other reserves (Note 15). Other reserves further decreased by the repayments (GEL 5,541 thousand) and increased by interest accruals and foreign exchange effect (GEL 1,091 thousand), during the reporting period.

15 Borrowings

Borrowings consisted of the following items as at 31 December 2022:

Lender	Agreement	Credit limit (in original CCY)	Amount withdrawn (in original CCY)	Nominal interest rate	CCY	Maturity	31 December 2022
Non-current							
Watertrail Industries	#164-#197	230,395	230,395	0.0%	USD	31-Mar-32	586,003
Bank of Georgia JSC	8369526	18,000	18,000	5.75%*	GEL	7-Jun-29	16,325
Bank of Georgia JSC	8369476	8,000	8,000	9.00%**	EUR	7-Jun-29	20,082
TBC Bank JSC	12010323	17,550	17,550	5.75%*	GEL	7-Jun-29	15,918
TBC Bank JSC	12037167	7,955	7,955	9.00%**	EUR	7-Mar-29	20,275
Total non-current borrowings							**658,603**
Current							
Bank of Georgia JSC	8369526	18,000	18,000	5.75%*	GEL	7-Jun-29	1,874
Bank of Georgia JSC	8369476	8,000	8,000	9.00%**	EUR	7-Jun-29	2,652
TBC Bank JSC	12010323	17,550	17,550	5.75%*	GEL	7-Jun-29	1,825
TBC Bank JSC	12037167	7,955	7,955	9.00%**	EUR	7-Mar-29	2,841
Total current borrowings							**9,192**
Total borrowings							**667,795**

(*) Plus Refinance Rate defined by the National Bank of Georgia
(**) Plus 6-month EURIBOR

Borrowings consisted of the following items as at 31 December 2021:

Lender	Agreement	Credit limit (in original currency)	Amount withdrawn (in original currency)	Nominal interest rate	CCY	Maturity	31 December 2021
Non-current							
VEON Holding	#164-#197	230,395	230,395	6.5%	USD	31-Mar-32	493,508
Total non-current borrowings							**493,508**
Total current borrowings							**-**
Total borrowings							**493,508**

15 Borrowings (continued)

Loans received from the shareholder. On 7 June 2022, as part of M&A transaction (Note 1), borrowings from VEON Holding (former entity under common control) were transferred to Watertrail Industries Ltd (BVI), the shareholding company of Cellfie Mobile LLC. Pursuant to the transfer agreement, all rights, claims, and benefits, including entitlement to accrued but unpaid interest, were unconditionally and irrevocably transferred to Watertrail Industries Ltd (BVI). The contractual interest rate changed from 6.5% to 0% for all loans, while all other contractual terms remained unchanged. The modification of contractual terms resulted in the extinguishment of borrowings. The net effect of fair value remeasurement amounted to GEL 128,569 thousand. The fair value remeasurement utilized a market rate of 7.1%, determined based on publicly available statistical data on market rates for similar financial instruments, as published by the National Bank of Georgia. Various factors, including currency, maturity term, collateralization, and borrower type, were considered when determining the applicable market rate for the Company's borrowings.

Joint borrowings from banks. According to the loan agreements signed on 7 June 2022 and their amendments, the Company became a co-borrower of the loans obtained from JSC TBC Bank and JSC Bank of Georgia by the Company's current ultimate owner, Khvicha Makatsaria. The purpose of the loans was to finance the purchase of 100% shares in Watertrail Industries Ltd (BVI) and Investico Alliance Ltd (BVI), thus indirectly acquire 100% ownership interest in the Company. Total amount of loans obtained was GEL 35,550 thousand and EUR 15,955 thousand. According to the agreements, Cellfie Mobile LLC is a co-borrower / solidary debtor liable to the lenders with no additional exceptions or conditions. Thus, the Company has unconditional liability to fulfil the contractual obligations under the agreements both, jointly and separately. The rights of the banks apply equally, without limitation, to the borrower and the Company. Consequently, the loans have been recognized by the Company with corresponding entry to equity ("Other reserves"). Other reserves further increased by net effect of interest accruals and foreign exchange, and decreased by the repayments, during the reporting period. The Company is subject to certain covenants related to its joint borrowings (Note 32).

Interest expense accrued on borrowings in 2022 amounted to GEL 55,580 thousand (2021: GEL 59,097 thousand).

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

	Borrowings
Liabilities from financing activities at 1 January 2021	**461,806**
Interest expense	59,097
Foreign exchange adjustments	(27,395)
Liabilities from financing activities at 31 December 2021	**493,508**
Interest expense	55,580
Repayment of principal	(8,110)
Net effect of fair value measurement of borrowings from shareholder	128,569
Recognition of joint borrowings*	86,242
Repayments of joint borrowings*	(5,541)
Foreign exchange adjustments	(82,453)
Liabilities from financing activities at 31 December 2022	**667,795**

(*) Joint borrowings from banks were withdrawn and repaid by the primary borrower, Khvicha Makatsaria. Therefore, these represent non-cash movements for the Company and do not impact the Statement of Cash Flows.

At 31 December 2022, all assets owned by the Company (including property and equipment, intangible assets and 100% shares owned by Watertrail Industries Ltd (BVI) and Investico Alliance Ltd (BVI) in the Company) and assets that will be acquired by the Company in the future, have been pledged to third parties as collateral with respect to the joint borrowings from banks.

16 Lease Liabilities

The Company recognised lease liabilities as follows:

	31 December 2022	31 December 2021
Short-term lease liabilities	9,316	7,171
Long-term lease liabilities	14,909	15,553
Total lease liabilities	**24,225**	**22,724**

The Company has fixed payment term for all leased property. The Company recognises all short-term and low-value leases as short-term lease liabilities and there are no expenses related to leases recognised in general and administrative expenses. Total cash outflow for leases in 2022 was GEL 14,270 thousand (2021: GEL 11,603 thousand).

Lease liability reconciliation. The table below sets out an analysis of lease liability and the movements in the Company's liabilities from financing activities. The items of these liabilities are those that are reported as financing in the statement of cash flows.

	Lease liability
Liabilities from financing activities at 1 January 2021	**25,655**
Interest accrual	1,826
Interest payment	(1,826)
Acquisition of new lease and remeasurement	7,044
Principal payment	(9,777)
Foreign exchange gain	(198)
Liabilities from financing activities at 31 December 2021	**22,724**
Interest accrual	2,583
Interest payment	(2,583)
Acquisition of new lease and remeasurement	14,027
Principal payment	(11,687)
Foreign exchange gain	(838)
Liabilities from financing activities at 31 December 2022	**24,226**

17 Provisions for Asset Retirement Obligation

Base stations for wireless networks are constructed on leased land and the term of the lease requires that the land or premises be reinstated upon expiry of lease term. The obligation is referred to as asset retirement obligation and is recognized when the equipment is installed. Asset retirement obligation is recognized and measured at the best estimate of the future costs to dismantle and remove equipment and restore the site.

As of 31 December 2022, asset retirement obligation is GEL 1,921 thousand (2021: GEL 2,677 thousand).

17 Provisions and Assets Retirement Obligations (continued)

Movements in asset retirement obligation are as follows:

	2022	2021
Carrying amount at 1 January	**2,677**	**3,686**
Additions to property and equipment	6	27
Changes in estimates adjusted against property and equipment	(892)	(1,205)
Utilisation	(122)	(195)
Unwinding of the present value discount	252	364
Carrying amount at 31 December	**1,921**	**2,677**

18 Trade and Other Payables

	31 December 2022	31 December 2021
Payables for:		
- services	28,474	27,930
- non-current assets	11,213	20,451
- accrued roaming rebates	6,846	6,826
- interconnect	1,645	1,815
- roaming	562	660
- inventory	114	92
Other	595	581
Total trade and other payables	**49,449**	**58,355**

All payables are non-interest bearing and are normally settled on 30 to 90 days terms.

19 Analysis of Revenue by Category

Service revenue consisted of the following for the years ended 31 December:

	2022	2021
Data revenue	53,793	44,011
Voice service revenues	41,705	42,610
A2P messaging revenue	13,159	10,196
Other value-added services	11,683	7,199
Interconnect revenues	8,502	9,291
Guest roaming	4,815	3,459
Revenue from roaming of own subscribers	3,028	1,284
SMS revenue	2,394	6,244
Other	1,579	1,508
Total service revenue	**140,658**	**125,802**

From 2014, Cellfie Mobile joined discounting program managed by the related party (an entity under common control) at that time, whereby the Company provides discount on roaming services to the foreign operators and deducts it from “Guest roaming” revenue. The discount amount is based on international roaming traffic usage. In 2022, the Company recorded a discount of GEL 4,872 thousand (2021: GEL 3,345 thousand).

Total revenue is recognised over time.

20 Service Costs

Service costs consisted of the following for the years ended 31 December:

	2022	2021
Cost of interconnect	13,682	13,827
Cost of A2P messaging	5,770	3,559
Content costs	2,806	1,978
Roaming cost	1,225	1,447
Cost of data services	1,026	1,029
Rent of transport network	732	680
Cost of scratch cards sold	32	37
Total service costs	**25,273**	**22,557**

21 Other Operating Expenses

	2022	2021
Information technology and technical support	4,715	3,087
Professional service fees*	2,390	2,284
Regulatory fees	1,070	899
Property tax	905	564
Tax expenses other than income tax	732	657
Amortization of contract costs	673	708
Cash-in terminal service commission	284	133
Business trips	253	237
Dealer commissions	163	192
(Recovery)/charge on impairment of trade receivables	(759)	334
Other	1,046	1,302
Total other operating expenses	**11,472**	**10,397**

(*) Professional service fees include GEL 278 thousand (2021: GEL 213 thousand) fees incurred for IFRS and regulatory audit services provided by Auditor/Audit Firm as defined in the Law of Georgia on Accounting, Reporting and Auditing.

22 Management Fee

On 16 March 2017 the Company has signed a General Service Agreement ('GSA') with VEON Ltd ('former HQ'), effective from 1 January 2016, for provision of management services by VEON Ltd, including finance and accounting services, treasury services, tax services, investor relations services, assurance services and mergers & acquisition (M&A) services. Management fees for year 2021 and up to May 2022 included costs related tax, treasury and other day to day operational costs incurred by former HQ in respect with the Company. Since 8 June 2022, after M&A transaction, mentioned GSA has been terminated.

23 Finance Costs

	2022	2021
Interest expense on loans	55,580	59,097
Interest expense on lease liability	2,583	1,826
Provisions for asset retirement obligations: unwinding of the present value discount	252	364
Total finance costs	**58,415**	**61,287**

24 Finance Income

	2022	2021
Net gain on early settlement of lease liability	195	99
Interest income	773	843
Total finance income	**968**	**942**

25 Other Non-operating Income

	2022	2021
Sponsorship	(109)	(11)
Other non-operating income	616	269
Net other non-operating income	**507**	**258**

26 Income Taxes

Starting from 1 January 2017, the income tax is paid on distributed profits, thus, recognition of deferred tax is not relevant (Note 4).

27 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.

Due to the change in the Company's ownership in 2022, the related parties of the Company changed correspondingly (Note 1). As a result, transactions and balances with both, current and former related parties, are presented considering the relevant periods in which the parties represented the related parties.

Balances with related parties at 31 December 2022 were as follows:

	Amounts owed by related parties	Amounts owed to related parties
Immediate parent		
Watertrail Industries Ltd	-	604,434
Entities under common control		
Other group companies	138	248

27 Balances and Transactions with Related Parties (Continued)

Transactions with related parties in 2022 were as follows:

	Sales to related parties	Purchases/ expenses from related parties	Roaming rebates	Roaming discounts
Former related parties:				
Immediate parent				
OJSC Vimpelcom	1,197	886	280	153
VEON Ltd	-	130	-	-
Entities under common control				
VEON Holding	-	26,543	-	-
Other group companies	523	511	231	24

	Sales to related parties	Purchases/ expenses from related parties	Roaming rebates	Roaming discounts
Current related parties:				
Immediate parent				
Watertrail Industries Ltd	-	23,322	-	-
Entities under common control				
Other group companies	5	1,511	-	-

Transactions and balances with related parties at 31 December 2021 were as follows:

	Sales to related parties	Purchases/ expenses from related parties	Amounts owed by related parties	Amounts owed to related parties	Roaming rebates	Roaming discounts
Immediate parent						
OJSC Vimpelcom	2,051	2,152	180	-	433	-
VEON Ltd	-	174	1,508	19,142	-	-
Entities under common control						
VEON Holding	-	59,097	-	493,508	-	-
Other group companies	1,975	440	1,096	2,780	582	92

Borrowings from related parties are disclosed in Note 15.

Total compensation to key management (including Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief Legal Officer, Chief People & Organization Officer, Chief Ethics & Compliance Officer, Customer Experience Manager and Head of PR) personnel recorded in Employee benefits expense amounted to GEL 6,375 thousand and GEL 3,489 thousand for the years ended 31 December 2022 and 31 December 2021 respectively (in 2021, the key management team comprised the Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Chief Technology Officer, and Head of Human Resources and Administration.). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results. Besides, in 2022, a one-time bonus of GEL 2,971 thousand was granted to the key management as a reward for the successful completion of the M&A process.

28 Financial Risk Management

The Company's principal financial liabilities comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company has trade and other receivables, and cash and cash equivalents that derive directly from its operations.

Company is exposed through its operations to the following financial risks:

- Credit risk;
- Market price risk;
- Liquidity risk.

This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments. The principal financial instruments used by the Company, from which financial risks arise, are as follows:

- Trade accounts receivable;
- Cash and cash equivalents;
- Trade and other payables;
- Loans and borrowings.

Credit risk. Credit risk is the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligations. Company is mainly exposed to credit risk from credit sales.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

Credit risk management. Credit risk is one of the largest risks for the Company's business. Management therefore carefully manages its exposure to credit risk. The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

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

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

28 Financial Risk Management (continued)

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

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

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

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

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

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

- the borrower is more than 30 days past due on its contractual payments.

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

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

Market price risk. Market price risk consists of interest rate risk and foreign exchange risk.

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at 31 December 2022, the Company is not exposed to the interest rate risk on attracted financing from the shareholder, since the loans are bearing zero interest rate. With regards to the joint borrowings from banks, the Company is exposed to the interest rate risk as loans are bearing floating interest rates (Note 15).

As at 31 December 2021, the Company was not exposed to the interest rate risk on attracted financing, since all financial liabilities were bearing fixed interest.

28 Financial Risk Management (continued)

The table below summarises the Company's exposure to interest rate risks. The table presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
31 December 2022						
Joint borrowings (Note 15)	-	-	-	81,792	-	**81,792**
Net interest sensitivity gap at 31 December 2022	**-**	**-**	**-**	**81,792**	**-**	**81,792**

b. Foreign exchange risk

Foreign exchange risk arises when Company enters into transactions denominated in a currency other than its functional currency.

The Company's exposure to the risk of changes in foreign exchange relates to its borrowings. The Company does not hedge foreign exchange risk. Apart from these particular cash flows, the Company aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rates, with all other variables held constant.

	At 31 December 2022		At 31 December 2021	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollar strengthening by 10%	(61,088)	(61,088)	(52,944)	(52,944)
US Dollar weakening by 10%	61,088	61,088	52,944	52,944
Euro strengthening by 10%	(4,650)	(4,650)	(1,006)	(1,006)
Euro weakening by 10%	4,650	4,650	1,006	1,006

Company's monetary assets and liabilities exposed to foreign exchange risk can be presented as follows:

	At 31 December 2022			At 31 December 2021		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
US Dollars	10,033	(620,916)	(610,883)	8,407	(537,852)	(529,445)
Euros	1,805	(48,304)	(46,499)	1,739	(11,796)	(10,057)
Total	**11,838**	**(669,220)**	**(657,382)**	**10,146**	**(549,648)**	**(539,502)**

Liquidity risk. Liquidity risk arises from the Company's management of working capital, the finance charges and principal repayments on its debt instruments and payment of lease fee. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

28 Financial Risk Management (continued)

The following are the contractual maturities of financial liabilities as at 31 December 2022:

	Carrying value	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total undiscounted
Loans and borrowings	667,795	4,777	14,331	76,432	1,133,938	1,229,478
Lease Liabilities	24,225	2,580	6,720	16,419	712	26,431
Trade and other payables	49,449	49,449	-	-	-	49,449
Total future payments, including future principal and interest payments	**741,469**	**56,806**	**21,051**	**92,851**	**1,134,650**	**1,305,358**

The following are the contractual maturities of financial liabilities as at 31 December 2021:

	Carrying value	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total undiscounted
Loans and borrowings	493,508	-	-	-	1,734,516	1,734,516
Lease Liabilities	22,724	2,461	6,019	17,139	659	26,278
Trade and other payables	58,355	58,355	-	-	-	58,355
Total future payments, including future principal and interest payments	**574,587**	**60,816**	**6,019**	**17,139**	**1,735,175**	**1,819,149**

29 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 Company's management does not have explicit procedure for managing its capital.

30 Fair Value Disclosures

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

30 Fair Value Disclosures (continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed. Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

	31 December 2022				31 December 2021			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
ASSETS								
Financial assets at AC								
- Cash and cash equivalents	17,422	-	-	**17,422**	19,517	-	-	**19,517**
- Trade and other receivables	-	-	15,221	**15,221**	-	-	9,390	**9,390**
Total financial assets	**17,422**	**-**	**15,221**	**32,643**	**19,517**	**-**	**9,390**	**28,907**
LIABILITIES								
Financial liabilities at AC								
- Loans and Borrowings	-	-	667,795	**667,795**	-	-	493,508	**493,508**
- Lease Liabilities	-	-	24,225	**24,225**	-	-	22,724	**22,724**
- Trade and other payables	-	-	49,449	**49,449**	-	-	58,355	**58,355**
Total financial liabilities	**-**	**-**	**741,469**	**741,469**	**-**	**-**	**574,587**	**574,587**

The fair values in level 2 and level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty. ***Liabilities carried at amortised cost.*** Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

31 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. In addition, finance lease receivables form a separate category. All the financial assets of the Company fall into the financial assets at AC category.

32 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Company may be received. Currently the Company has two ongoing civil suits in Batumi city court for the compensation of damages caused by the fire on the Company's electric grid lines. Total amount of claims is equal to GEL 748 thousand. On the basis of its own estimates, management believes it is highly probable that the Company loses the cases. Although, as the total amount of claims is insignificant, no material losses are expected to be incurred in respect of claims, thus no provisions have been recognised in the financial statements.

Tax legislation. The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of government bodies, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however, under certain circumstances a tax year may remain open longer.

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

On 29 December 2022, the Company received tax inspection results for the period from 1 January 2019 to 31 December 2019, based on which tax payable of the Company increased by GEL 1,155 thousand, out of which GEL 755 thousand relates to property tax and GEL 400 thousand represents the related accrued fines. The Company appealed the tax inspection results and, as per Management's assessment, it is highly probable that they will succeed in the case, thus the accrued amounts have not been reflected in these financial statements.

Asset retirement obligation. Base stations for wireless networks are constructed on leased land and the term of the lease require that the land or premises be reinstated upon expiry of lease term. The obligation is referred to as asset retirement obligation and is recognized when the equipment is installed. Asset retirement obligation is recognised and measured at the best estimate of the future costs to dismantle and remove equipment and restore the site (Note 17).

Compliance with covenants. The Company is subject to certain covenants related to its borrowings. Non-compliance with such covenants may result in negative consequences for the Company including ceasing the contracts and/or requesting full or partial repayment before contractual maturity. The Company was in compliance with covenants at 31 December 2022.

33 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2022:

	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c) = (a) – (b)
ASSETS			
Accounts receivable from roaming partners	4,035	2,029	6,064
Accounts receivable from accrued roaming discounts	2,130	(2,130)	-
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**6,165**	**(101)**	**6,064**
LIABILITIES			
Accounts payable for accrued roaming rebates	(6,951)	101	(6,850)
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**(6,951)**	**101**	**(6,850)**

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2021:

	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c) = (a) – (b)
ASSETS			
Accounts receivable from roaming partners	5,051	(892)	4,159
Accounts receivable from accrued roaming discounts	1,146	(1,146)	-
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**6,197**	**(2,038)**	**4,159**
LIABILITIES			
Accounts payable for accrued roaming rebates	(8,864)	2,038	(6,826)
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**(8,864)**	**2,038**	**(6,826)**

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting and (c) for each individual instrument in order not to understate the ultimate net exposure.

The Company has master netting arrangements, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure as they were set off in the statement of financial position.

34 Events after the Reporting Period

Changes in key management. Effective from 1 March 2023, Chief Executive Officer of the Company, Lasha Tabidze, has been replaced by Chief Financial Officer (CFO) of the Company at the time, Vasil Berishvili. Irakli Chedia has been appointed as a CFO effective from 20 March 2023.

New logo and brand name. Since the company is no longer part of the VEON Group, and in line with its strategic direction towards the development of digital products, the management has made the decision to operate under a new brand in the market. Effective from 5 April 2023, the Company operates under the new brand name and logo - Cellfie Mobile, showcasing its renewed dedication to providing subscribers with modern and innovative offerings.

New legal name. On 24 April 2023, as part of the rebranding campaign, the legal name of the Company was changed from VEON Georgia LLC to Cellfie Mobile LLC.