Private & Confidential

PricewaterhouseCoopers Audit Azerbaijan LLC
The Landmark Office Plaza
12th floor, 90 A Nizami street
Baku, AZ 1010
Azerbaijan

13 September 2022

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of GVL LLC (the "Company") for the year ended 31 December 2021 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with International Financial Reporting Standards (the "Accounting legislation").

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Reconfirmation of management's acknowledgement and understanding of their responsibilities

We confirm our acknowledgement and understanding of our responsibilities in the terms of the audit engagement letter dated 26 January 2022 (the "Engagement Letter").

Financial statements

- We have fulfilled our responsibilities, as set out in the terms of the Engagement letter, for the preparation of the financial statements in accordance with the Accounting legislation; and, in particular, the financial statements are fairly presented in accordance therewith.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- Methods, significant assumptions and the data used in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement or disclosure that is in accordance with the Accounting legislation.
- All events subsequent to the date of the financial statements and for which the Accounting legislation require adjustment or disclosure have been adjusted or disclosed.
- There are no uncorrected misstatements in the financial statements.

Information provided

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit;
- Unrestricted access to persons within the Company from whom you determined it necessary to obtain audit evidence;
- We have communicated to you all deficiencies in internal control of which we are aware.

Selection and application of accounting policies

The selection and application of accounting policies are appropriate. The following have been recognised, measured, presented or disclosed in accordance with the Accounting legislation:

- Plans or intentions that may affect the carrying value or classification of assets and liabilities;
- Liabilities, both actual and contingent;
- Title to, or control over assets, liens or encumbrances on assets, and assets pledged as collateral; and
- Aspects of laws, regulations and contractual agreements that may affect the financial statements, including non-compliance.

Accounting estimates: measurement processes, assumptions, disclosures and effects of subsequent events

Regarding each of accounting estimates that impact the financial statements:

- The significant judgments made have taken into account all relevant information of which we are aware.
- We used appropriate methods, assumptions and data, in determining the accounting estimate in the context of the Accounting legislation.
- Methods, assumptions and data were consistently applied from year to year.
- The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Company, where relevant to the accounting estimates and disclosures.
- Disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and reasonable under the Accounting legislation.
- Appropriate specialised skills or expertise have been applied in making the accounting estimates.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

Fraud and non-compliance with laws and regulations

- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
    - Management;
    - Employees who have significant roles in internal control; or
    - Others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Company's financial statements communicated by employees, former employees, analysts, regulators or others.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

Related party transactions

- We have disclosed to you the identity of the Company's related parties and all the related party relationships and transactions of which we are aware.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Accounting legislation.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and such matters have been appropriately accounted for and disclosed in accordance with the Accounting legislation.

COVID-19 pandemic

We have considered the outbreak of the COVID-19 (Coronavirus) pandemic and its current and future potential effects on the Company. We have reflected the impact of the outbreak in the measurement of assets and liabilities in the financial statements. We have further assessed the potential future impact on the Company and included appropriate disclosures in the financial statements to describe both the existence of the outbreak, the impact recorded to date and our assessment of the potential impact on the Company including its financial results subsequent to 31 December 2021.

Leases

We confirm that we have applied the guidance in the Accounting legislation, to identify all contracts that are leases, or contain leases which should, therefore, be accounted for such as. Such "contracts" may comprise a transaction or series of related transactions, that does not take the legal form of a lease but conveys a right to control the use of an identified asset for a period of time exchange for consideration.

Other information

We confirm to you that we are not required by law, regulation or custom to issue any additional information with information on the entity's operations and the entity's financial results and financial information other than the financial statements and we do not intend to issue any such document to accompany the financial statements and your report thereon.

Mr. Tamerlan Aliyev
General Director

Mr. Elman Bakhishov
Chief Accountant

"GVL" LIMITED LIABILITY COMPANY

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

31 December 2021

Contents

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

Statement of Financial Position 1
Statement of Profit or Loss and Other Comprehensive Income 2
Statement of Changes in Equity 3
Statement of Cash Flows 4

Notes to the Financial Statements

1 The Company and its Operations 5
2 Operating Environment of the Company 5
3 Significant Accounting Policies 6
4 Critical Accounting Estimates and Judgements in Applying Accounting Policies 12
5 Adoption of New or Revised Standards and Interpretations 13
6 New Accounting Pronouncements 14
7 Balances and Transactions with Related Parties 17
8 Property and Equipment 18
9 Right-of-Use Assets and Lease Liabilities 19
10 Inventories 20
11 Trade and Other Receivables 20
12 Prepayments 21
13 Cash and Cash Equivalents 21
14 Share Capital 22
15 Trade and Other Payables 22
16 Revenue from Contracts with Customers 23
17 Cost of Sales 23
18 Administrative and Other Operating Expenses 24
19 Income Taxes 24
20 Contingencies and Commitments 25
21 Financial Risk Management 26
22 Management of Capital 29
23 Fair Value Disclosures 29
24 Presentation of Financial Instruments by Measurement Category 30
25 Events after the Reporting Period 30



Independent Auditor's Report

PricewaterhouseCoopers Audit Azerbaijan LLC, The Landmark Office Plaza III,
12th Floor, 90 A Nizami Street, Baku AZ1010, Azerbaijan
T: [994] 12 497 25 15, [994] 12 497 74 11, www.pwc.com

"GVL" LIMITED LIABILITY COMPANY
Statement of Financial Position

In Azerbaijani Manats	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property and equipment	8	89,053	163,198
Right-of-use assets	9	2,153,141	1,658,089
Deferred income tax assets	19	116,825	82,344
Total non-current assets		**2,359,019**	**1,903,631**
Current assets			
Inventories	10	625,176	56,358
Trade and other receivables	11	1,783,675	1,117,266
Prepayments	12	390,956	241,395
Cash and cash equivalents	13	454,077	331,154
Total current assets		**3,253,884**	**1,746,173**
Total assets		**5,612,903**	**3,649,804**
EQUITY			
Share capital	14	100	100
Retained earnings		1,857,472	1,462,326
Total equity		**1,857,572**	**1,462,426**
Liabilities			
Non-current liabilities			
Non-current lease liabilities	9	1,859,990	1,495,616
Total non-current liabilities		**1,859,990**	**1,495,616**
Current liabilities			
Current lease liabilities	9	499,886	274,502
Trade and other payables	15	1,243,377	295,936
Current income tax payable		152,078	121,324
Total current liabilities		**1,895,341**	**691,762**
Total liabilities		**3,755,331**	**2,187,378**
Total liabilities and equity		**5,612,903**	**3,649,804**

Approved for issue and signed on 13 September 2022.

Mr. Tamerlan Aliyev
General Director

Mr. Elman Bakhishov
Chief Accountant

The accompanying notes on pages 5 to 30 are an integral part of these financial statements.

"GVL" LIMITED LIABILITY COMPANY
Statement of Financial Position

In Azerbaijani Manats	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property and equipment	8	89,053	163,198
Right-of-use assets	9	2,153,141	1,658,089
Deferred income tax assets	19	116,825	82,344
Total non-current assets		**2,359,019**	**1,903,631**
Current assets			
Inventories	10	625,176	56,358
Trade and other receivables	11	1,783,675	1,117,266
Prepayments	12	390,956	241,395
Cash and cash equivalents	13	454,077	331,154
Total current assets		**3,253,884**	**1,746,173**
Total assets		**5,612,903**	**3,649,804**
EQUITY			
Share capital	14	100	100
Retained earnings		1,857,472	1,462,326
Total equity		**1,857,572**	**1,462,426**
Liabilities			
Non-current liabilities			
Non-current lease liabilities	9	1,859,990	1,495,616
Total non-current liabilities		**1,859,990**	**1,495,616**
Current liabilities			
Current lease liabilities	9	499,886	274,502
Trade and other payables	15	1,243,377	295,936
Current income tax payable		152,078	121,324
Total current liabilities		**1,895,341**	**691,762**
Total liabilities		**3,755,331**	**2,187,378**
Total liabilities and equity		**5,612,903**	**3,649,804**

Approved for issue and signed on 13 September 2022.

Mr. Tamerlan Aliyev
General Director

Mr. Elman Bakhishov
Chief Accountant

The accompanying notes on pages 5 to 30 are an integral part of these financial statements.

"GVL" LIMITED LIABILITY COMPANY
Statement of Financial Position

In Azerbaijani Manats	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property and equipment	8	89,053	163,198
Right-of-use assets	9	2,153,141	1,658,089
Deferred income tax assets	19	116,825	82,344
Total non-current assets		**2,359,019**	**1,903,631**
Current assets			
Inventories	10	625,176	56,358
Trade and other receivables	11	1,783,675	1,117,266
Prepayments	12	390,956	241,395
Cash and cash equivalents	13	454,077	331,154
Total current assets		**3,253,884**	**1,746,173**
Total assets		**5,612,903**	**3,649,804**
EQUITY			
Share capital	14	100	100
Retained earnings		1,857,472	1,462,326
Total equity		**1,857,572**	**1,462,426**
Liabilities			
Non-current liabilities			
Non-current lease liabilities	9	1,859,990	1,495,616
Total non-current liabilities		**1,859,990**	**1,495,616**
Current liabilities			
Current lease liabilities	9	499,886	274,502
Trade and other payables	15	1,243,377	295,936
Current income tax payable		152,078	121,324
Total current liabilities		**1,895,341**	**691,762**
Total liabilities		**3,755,331**	**2,187,378**
Total liabilities and equity		**5,612,903**	**3,649,804**

Approved for issue and signed on 13 September 2022.

Mr. Tamerlan Aliyev
General Director

Mr. Elman Bakhishov
Chief Accountant

The accompanying notes on pages 5 to 30 are an integral part of these financial statements.

"GVL" LIMITED LIABILITY COMPANY
Statement of Financial Position

In Azerbaijani Manats	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property and equipment	8	89,053	163,198
Right-of-use assets	9	2,153,141	1,658,089
Deferred income tax assets	19	116,825	82,344
Total non-current assets		**2,359,019**	**1,903,631**
Current assets			
Inventories	10	625,176	56,358
Trade and other receivables	11	1,783,675	1,117,266
Prepayments	12	390,956	241,395
Cash and cash equivalents	13	454,077	331,154
Total current assets		**3,253,884**	**1,746,173**
Total assets		**5,612,903**	**3,649,804**
EQUITY			
Share capital	14	100	100
Retained earnings		1,857,472	1,462,326
Total equity		**1,857,572**	**1,462,426**
Liabilities			
Non-current liabilities			
Non-current lease liabilities	9	1,859,990	1,495,616
Total non-current liabilities		**1,859,990**	**1,495,616**
Current liabilities			
Current lease liabilities	9	499,886	274,502
Trade and other payables	15	1,243,377	295,936
Current income tax payable		152,078	121,324
Total current liabilities		**1,895,341**	**691,762**
Total liabilities		**3,755,331**	**2,187,378**
Total liabilities and equity		**5,612,903**	**3,649,804**

Approved for issue and signed on 13 September 2022.

Mr. Tamerlan Aliyev
General Director

Mr. Elman Bakhishov
Chief Accountant

The accompanying notes on pages 5 to 30 are an integral part of these financial statements.

"GVL" LIMITED LIABILITY COMPANY
Statement of Financial Position

In Azerbaijani Manats	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property and equipment	8	89,053	163,198
Right-of-use assets	9	2,153,141	1,658,089
Deferred income tax assets	19	116,825	82,344
Total non-current assets		**2,359,019**	**1,903,631**
Current assets			
Inventories	10	625,176	56,358
Trade and other receivables	11	1,783,675	1,117,266
Prepayments	12	390,956	241,395
Cash and cash equivalents	13	454,077	331,154
Total current assets		**3,253,884**	**1,746,173**
Total assets		**5,612,903**	**3,649,804**
EQUITY			
Share capital	14	100	100
Retained earnings		1,857,472	1,462,326
Total equity		**1,857,572**	**1,462,426**
Liabilities			
Non-current liabilities			
Non-current lease liabilities	9	1,859,990	1,495,616
Total non-current liabilities		**1,859,990**	**1,495,616**
Current liabilities			
Current lease liabilities	9	499,886	274,502
Trade and other payables	15	1,243,377	295,936
Current income tax payable		152,078	121,324
Total current liabilities		**1,895,341**	**691,762**
Total liabilities		**3,755,331**	**2,187,378**
Total liabilities and equity		**5,612,903**	**3,649,804**

Approved for issue and signed on 13 September 2022.

Mr. Tamerlan Aliyev
General Director

Mr. Elman Bakhishov
Chief Accountant

The accompanying notes on pages 5 to 30 are an integral part of these financial statements.

"GVL" LIMITED LIABILITY COMPANY
Statement of Profit or Loss and Other Comprehensive Income

In Azerbaijani Manats	Note	2021	2020
Revenue from contracts with customers	16	7,095,231	5,247,074
Cost of sales	17	(5,245,723)	(3,423,140)
Gross profit		**1,849,508**	**1,823,934**
General and administrative expenses	18	(1,037,685)	(768,327)
Other gains/(losses), net		16,096	69,253
Operating profit		**827,919**	**1,124,860**
Finance costs	9	(312,789)	(229,203)
Profit before income tax		**515,130**	**895,657**
Income tax expense	19	(119,984)	(207,186)
Profit for the year		**395,146**	**688,471**
Total comprehensive income for the year		**395,146**	**688,471**

The accompanying notes on pages 5 to 30 are an integral part of these financial statements.

"GVL" LIMITED LIABILITY COMPANY
Statement of Changes in Equity

In Azerbaijani Manats	Share capital	Retained earnings	Total Equity
At 1 January 2020	**100**	**773,855**	**773,955**
Profit for the year	-	688,471	688,471
Total comprehensive income for 2020	-	688,471	688,471
Balance at 31 December 2020	**100**	**1,462,326**	**1,462,426**
Profit for the year	-	395,146	395,146
Total comprehensive income for 2021	-	395,146	395,146
Balance at 31 December 2021	**100**	**1,857,472**	**1,857,572**

The accompanying notes on pages 5 to 30 are an integral part of these financial statements.

"GVL" LIMITED LIABILITY COMPANY
Statement of Cash Flows

In Azerbaijani Manats	Note	2021	2020
Cash flows from operating activities			
Profit before income tax		515,130	895,657
Adjustments for:			
Depreciation and amortisation		630,674	427,341
Lease modification		-	18,985
Net impairment losses on financial assets		14,907	5,567
Finance costs	9	312,789	229,203
Foreign exchange translation differences		(11,750)	(34,649)
Operating cash flows before working capital changes		**1,461,750**	**1,542,104**
(Increase)/decrease in trade and other receivables		(681,938)	42,857
(Increase) in prepayments		(288,308)	(396,114)
(Increase) in inventories		(568,818)	(29,243)
Increase/decrease in trade and other payables		667,089	(801,160)
Changes in working capital		**(871,975)**	**(1,183,660)**
Interest paid		(205,505)	(229,203)
Net cash from operating activities		**384,270**	**129,241**
Cash flows from investing activities			
Purchases of property and equipment		(18,244)	(33,332)
Net cash used in investing activities		**(18,244)**	**(33,332)**
Cash flows from financing activities			
Repayment of lease liabilities – principal	9	(248,978)	(243,969)
Net cash used in financing activities		**(248,978)**	**(243,969)**
Effect of exchange rate changes on cash and cash equivalents		5,875	16,933
Cash and cash equivalents at the beginning of the year	13	**331,154**	**462,281**
Cash and cash equivalents at the end of the year	13	**454,077**	**331,154**

The accompanying notes on pages 5 to 30 are an integral part of these financial statements.

1 The Company and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2021 for "GVL" LLC (the "Company").

The Company was incorporated and is domiciled in the Republic of Azerbaijan. The Company is a limited liability company and was set up in accordance with the State Registry of Commercial Legal Entities Office of Baku City Tax Department of the Ministry of Taxes of the Republic of Azerbaijan on September 18, 2015 under the registration No. 2003518341.

On January 31, 2020, Nobel Oil Services (UK) Limited which is the Parent Company of "Global Energy Solutions" LLC (one of the shareholders of "GVL" LLC) purchased the shares of Denholm ValveCare Limited (the other shareholder of "GVL" LLC). After the purchase "GVL" LLC became an associate of "Global Energy Solutions" LLC and subsidiary of Nobel Oil Services (UK) Limited.

The following shareholders owned the issued shares of the Company:

	31 December 2021, %	31 December 2020, %
"Global Energy Solutions" LLC	51	51
Nobel Oil Services (UK) Limited	49	49
Total	**100**	**100**

As at December 31, 2021 and 2020, the Company was ultimately controlled by Mr. Nasib Hasanov.

Principal activity. The Company's principal business activity is the provision of technical support services relating to valves repair, maintenance and stock management in the oil and gas industry.

Registered address and place of business. The Company's registered address is Khatai District, 21 Fazail Bayramov str., Baku, AZ1025, the Republic of Azerbaijan. The Company's principal place of business is 8 Noyabr ave. 113, Ravy Tower, 13th floor, Baku, AZ1025, the Republic of Azerbaijan .

Presentation currency. These financial statements are presented in Azerbaijani Manats ("AZN"), unless otherwise stated.

2 Operating Environment of the Company

The Company's operations are mainly located in Azerbaijan. Consequently, the Company is exposed to the economic and financial markets of Azerbaijan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Azerbaijan. The depreciation of Azerbaijani Manat in 2015-2016 years has led to significant uncertainties in business environment, therefore government took all required actions to keep the exchange rate stable over the past 5 years. As a result, continuous fluctuation in the global oil prices did not affect the local currency and therefore did not increase uncertainty of the business environment. The COVID-19 coronavirus pandemic has affected businesses significantly in 2020, however after successful vaccination campaign of the government majority of businesses steadily returned to its normal activities during 2021. Sustainability of cease-fire arrangement over Karabakh region also improves the business environment as there are a number of government-led projects to attract investment and develop the territories released from occupation.

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

3 Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these financial statements are set out below.

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

Property and equipment. Property and equipment are stated at cost, less accumulated depreciation and impairment, where required.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property and equipment items are capitalised and the replaced part is retired.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

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

	Useful lives in years
Machinery and equipment	5
Computers and office equipment	5
Leasehold improvement	5

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

Right-of-use assets. The Company leases apartments, warehouse and vehicles.

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.

3 Significant Accounting Policies (Continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Warehouse	6
Motor vehicles	6

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

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

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 23.

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

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

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

3 Significant Accounting Policies (Continued)

Financial instruments – initial recognition. All 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, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets at AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

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.

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

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 Company did not change its business model during the current and comparative period and did not make any reclassifications.

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

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

The Company applies simplified approach for impairment of trade receivable. To measure the expected credit losses, trade receivables has 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 36 months before 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. For detailed information on ECL calculations results and staging refer to note 21.

3 Significant Accounting Policies (Continued)

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

Financial assets – derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification. 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: any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), 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.

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

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

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

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

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.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Company under residual value guarantees,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Extension and termination options are included in the leases across the Company. These terms are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. 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.

3 Significant Accounting Policies (Continued)

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

To determine the incremental borrowing rate, the Company:

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

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.

Payments associated with short-term leases of equipment and vehicles are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

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

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

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

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.

3 Significant Accounting Policies (Continued)

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. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

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

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

Revenue recognition. Revenue is income arising in the course of the Company's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of value added taxes.

Sales of services. The Company provides services under fixed-price and variable price contracts. If the Company transfers control of a service over time and therefore satisfies a performance obligation over time, revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours. If a performance obligation is not satisfied over time, revenue is recognised at a point in time at which the Company satisfies a performance obligation.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Company has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such revenue.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Initial recognition of related party transactions. In the normal course of business, the Company enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 7.

ECL measurement. Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 21. 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.

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

Extension and termination options. Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

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).

For leases of apartments and vehicles, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

5 Adoption of New or Revised Standards and Interpretations

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

The application of the amendment did not have any material impact on financial statements.

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

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

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

Effect of IBOR reform. Reform and replacement of various inter-bank offered rates ('IBORs') has become a priority for regulators. Most IBOR rates would stop being published by 31 December 2021, while certain USD LIBOR rates would stop being published by 30 June 2023.

6 New Accounting Pronouncements

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

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

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

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

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.

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

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

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

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

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

6 New Accounting Pronouncements (Continued)

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 Company is currently assessing the impact of the amendments on its financial statements.

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

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

6 New Accounting Pronouncements (Continued)

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

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

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

7 Balances and Transactions with Related Parties

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

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

In Azerbaijani Manats	Shareholders	Entities under common control
Gross amount of trade receivables	114,046	136,887
Trade and other payables	(301,887)	(19,496)
Right-of-use asset	1,904,069	-
Lease liability	(2,002,158)	-

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

In Azerbaijani Manats	Shareholders	Entities under common control
Revenue from services rendered	91,130	214,121
Materials and components used	(643,200)	-

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

In Azerbaijani Manats	Shareholders	Entities under common control
Gross amount of trade receivables	6,512	124,703
Trade and other payables	-	(2,710)
Right-of-use asset	1,277,072	-
Lease liability	(1,346,747)	-

7 Balances and Transactions with Related Parties (Continued)

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

In Azerbaijani Manats	Shareholders	Entities under common control
Revenue from services rendered	2,328	324,478
Materials and components used	-	(17,607)
Professional services fees	-	(25,104)

Key management compensation. Key management includes the General Director.

Key management compensation is presented below:

In Azerbaijani Manats	2021 Expense	2020 Expense
- Key management personnel compensation	312,214	185,732
Post-employment benefits:		
State pension and social security costs	119,579	69,111
Total key management compensation	431,793	254,843

8 Property and Equipment

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

In Azerbaijani Manats	Note	Machinery and equipment	Computers and office equipment	Leasehold improvement	Total
Cost at 1 January 2020		413,750	53,021	149,905	616,676
Accumulated depreciation		(226,328)	(19,436)	(149,905)	(395,669)
Carrying amount at 1 January 2020		**187,422**	**33,585**	**-**	**221,007**
Additions		22,796	10,536	-	33,332
Depreciation charge	17,18	(76,138)	(15,003)	-	(91,141)
Carrying amount at 31 December 2020		**134,080**	**29,118**	**-**	**163,198**
Cost at 31 December 2020		436,546	63,557	149,905	650,008
Accumulated depreciation		(302,466)	(34,439)	(149,905)	(486,810)
Carrying amount at 1 January 2021		**134,080**	**29,118**	**-**	**163,198**
Additions		1,705	16,538	-	18,243
Depreciation charge		(74,945)	(17,444)	-	(92,389)
Carrying amount at 31 December 2021		**60,840**	**28,213**	**-**	**89,053**
Cost at 31 December 2021		438,250	80,095	149,905	668,250
Accumulated depreciation		(377,410)	(51,882)	(149,905)	(579,197)
Carrying amount at 31 December 2021		**60,840**	**28,213**	**-**	**89,053**

9 Right-of-Use Assets and Lease Liabilities

The Company leases apartments, warehouse and vehicles. Rental contracts are typically made for fixed periods of 12 months, but may have extension options as described below.

In Azerbaijani Manats	Note	Warehouse	Apartment	Vehicles	Total
Carrying amount at 1 January 2020		**-**	**15,260**	**76,201**	**91,461**
Modification		-	(15,260)	381,019	365,759
Additions		1,532,486	-	-	1,532,486
Depreciation charge	17,18	(255,414)	-	(76,203)	(331,618)
Carrying amount at 31 December 2020		**1,277,072**	**-**	**381,017**	**1,658,089**
Modification		1,033,337	-	-	1,033,337
Depreciation charge		(462,082)	-	(76,203)	(538,285)
Carrying amount at 31 December 2021		**1,848,327**	**-**	**304,814**	**2,153,141**

The Company recognised lease liabilities as follows:

In Azerbaijani Manats	31 December 2021	31 December 2020
Current lease liabilities	499,886	274,502
Non-current lease liabilities	1,859,990	1,495,616
Total lease liabilities	**2,359,876**	**1,770,118**

Interest expense included in finance costs of 2021 was AZN 312,789. (2020: AZN 229,203).

Expenses relating to short-term leases (included in cost of sales and general and administrative expenses):

In Azerbaijani Manats	2021	2020
Expense relating to short-term leases	10,096	45,716

Total cash outflow for leases in 2021 was AZN 454,485 (2020: AZN 473,172).

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as collateral for borrowings.

Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

10 Inventories

In Azerbaijani Manats	2021	2020
Goods in transit	589,411	-
Goods for resale	22,644	-
Consumables	13,121	56,360
Total inventories at 31 December	**625,176**	**56,360**

11 Trade and Other Receivables

In Azerbaijani Manats	2021	2020
Trade receivables	1,621,278	1,118,650
Less credit loss allowance	(51,560)	(36,653)
Total financial assets within trade and other receivables	**1,569,718**	**1,081,997**
VAT recoverable	213,957	35,269
Total trade and other receivables at 31 December	**1,783,675**	**1,117,266**

Trade receivables of AZN 169,399 (2020: AZN 1,081,997) net of credit loss allowance are denominated in foreign currency..

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

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade 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 36 month before 31 December 2021 or 31 December 2020 respectively. On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for trade receivables from customers. The expected credit losses are calculated as the difference between the expected future cash flows and the present value of expected cash flows discounted by the asset's refinancing rate.

11 Trade and Other Receivables (Continued)

In Azerbaijani Manats	31 December 2021 Gross carrying Amount	31 December 2020 Gross carrying Amount
Trade receivables		
- current	702,079	386,320
- less than 30 days overdue	652,421	397,236
- 30 to 60 days overdue	161,468	80,759
- 61 to 90 days overdue	39,248	125,587
- 91 to 180 days overdue	15,087	45,806
- 181 to 360 days overdue	26,931	25,895
- over 360 days overdue	24,043	57,046
Less credit loss allowance	(51,560)	(36,653)
Net carrying value	**1,569,718**	**1,081,997**

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

In Azerbaijani Manats	2021	2020
Allowance for credit losses on trade receivables at 1 January	**36,653**	**31,086**
New originated	14,907	5,567
Total credit loss allowance charge in profit or loss for the period	14,907	5,567
Allowance for credit losses on trade receivables at 31 December	**51,560**	**36,653**

12 Prepayments

In Azerbaijani Manats	2021	2020
Advances to suppliers	249,151	210,536
Prepayment for other taxes	141,805	30,859
Total prepayments	**390,956**	**241,395**

13 Cash and Cash Equivalents

In Azerbaijani Manats	2021	2020
Bank balances payable on demand	454,077	331,154
Total cash and cash equivalents at 31 December	**454,077**	**331,154**

13 Cash and Cash Equivalents (Continued)

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2021. Refer to Note 21 for the description of the Company's credit risk grading system.

In Azerbaijani Manats	Bank balances payable on demand
- Good	454,077
Total cash and cash equivalents, excluding cash on hand	**454,077**

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2020. Refer to Note 21 for the description of the Company's credit risk grading system.

In Azerbaijani Manats	Bank balances payable on demand
- Good	331,154
Total cash and cash equivalents, excluding cash on hand	**331,154**

14 Share Capital

The total authorised number of ordinary shares is 100 shares (2020: 100 shares) with a par value of AZN 1 per share (2020: AZN 1 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

The structure of the share capital is presented in Note 1.

15 Trade and Other Payables

In Azerbaijani Manats	2021	2020
Trade payables	895,029	55,250
Total financial payables within trade and other payables at AC	***895,029***	***55,250***
Accrued employee benefit costs	234,823	240,686
Advance received from third party	87,706	-
Taxes other than income tax payable	25,819	-
Total other payables	***348,348***	***240,686***
Trade and other payables at 31 December	**1,243,377**	**295,936**

Refer to Note 23 for disclosure of the fair value of each class of other financial liabilities.

16 Revenue from Contracts with Customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

In Azerbaijani Manats	2021	2020
Valve repair and maintenance services	3,379,918	5,247,074
Sale of goods	3,715,313	-
Total revenue from contracts with customers	**7,095,231**	**5,247,074**

Revenue from provision of services is mainly generated from providing of valve maintenance, valve facility management and valve stock management services to British Petroleum (BP) in Azerbaijan. The contract with BP was signed in August 2020 for five years. This service line represents valve repair and maintenance services provided mainly to "Azerbaijan International Operating Company" and "BP Exploration (Shah Deniz) Limited".

Revenue from sale of goods is generated from sale of oilfield equipment and inventory mainly to "Azerbaijan International Operating Company" and "BP Exploration (Shah Deniz) Limited".

Timing of revenue recognition (for each revenue stream) is as follows:

In Azerbaijani Manats	2021	2020
At a point in time	3,715,313	-
Over time	3,379,918	5,247,074
Total revenue from contracts with customers	**7,095,231**	**5,247,074**

17 Cost of Sales

In Azerbaijani Manats	2021	2020
Labor cost	2,480,422	2,450,410
Subcontracting costs	49,232	629,304
Materials and components used	80,635	102,853
Depreciation	61,480	88,611
Rent expenses	10,096	45,716
Other	20,263	106,246
Total cost of services	**2,702,128**	**3,423,141**
Cost of goods for resale	2,543,595	-
Total cost of sales and services	**5,245,723**	**3,423,141**

Included in labor costs are statutory pension contributions of AZN 362,184 (2020: AZN 280,171).

18 Administrative and Other Operating Expenses

In Azerbaijani Manats	2021	2020
Depreciation and amortisation	569,194	338,729
Staff Cost	127,832	139,302
Insurance	38,561	76,807
Bank charges	85,534	48,491
Business trip expenses	40,219	33,884
Catering services	25,585	27,765
Professional services fees	82,787	17,050
Communication expenses	12,978	12,971
Net impairment losses on financial assets	14,907	5,567
Other expenses	40,088	67,761
Total general and administrative expenses	**1,037,685**	**768,327**

Included in staff costs are statutory pension contributions of AZN 26,129 (2020: AZN 30,502).

19 Income Taxes

(a) Components of income tax expense / (benefit)

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

In Azerbaijani Manats	2021	2020
Current tax	154,465	252,327
Deferred tax	(34,481)	(45,141)
Income tax expense for the year	**119,984**	**207,186**

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

The income tax rate applicable to the majority of the Company's 2021 and 2020 income is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

In Azerbaijani Manats	2021	2020
Profit before tax	**515,130**	**895,657**
Theoretical tax charge at statutory rate of 20%:	103,026	179,131
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	16,958	28,055
Income tax expense for the year	**119,984**	**207,186**

19 Income Taxes (Continued)

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Azerbaijan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In Azerbaijani Manats	31 December 2020	Charged/ (credited) to profit or loss	31 December 2021
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
Difference between tax and accounting value of Property and equipment (different tax depreciation)	10,173	9,571	19,744
Trade and other receivables	(704)	2,981	2,277
Trade and other payables	50,468	(7,692)	42,776
Lease liabilities	(67,036)	(88,717)	(155,753)
Right-of-use assets	89,442	107,657	197,099
Cash and cash equivalents	-	2,345	2,345
Inventories	-	8,336	8,336
Net deferred tax asset	**82,343**	**34,482**	**116,825**
Recognised deferred tax asset	150,083	130,891	272,578
Recognised deferred tax liability	(67,740)	(96,409)	(155,753)
Net deferred tax asset	**82,343**	**34,482**	**116,825**

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

In Azerbaijani Manats	31 December 2019	Charged/ (credited) to profit or loss	31 December 2020
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
Difference between tax and accounting value of Property and equipment (different tax depreciation)	4,052	6,121	10,173
Trade and other receivables	(704)	-	(704)
Trade and other payables	32,775	17,693	50,468
Lease liabilities	(22,038)	(44,997)	(67,036)
Right-of-use assets	23,118	66,324	89,442
Net deferred tax asset	**37,203**	**45,141**	**82,344**
Recognised deferred tax asset	59,945	90,138	150,083
Recognised deferred tax liability	(22,742)	(44,997)	(67,740)
Net deferred tax asset	**37,203**	**45,141**	**82,344**

20 Contingencies and Commitments

Legal proceedings. During the period ended 31 December 2021, the Company was not involved in any legal proceedings and no legal claims were brought against the Company.

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

20 Contingencies and Commitments (Continued)

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

21 Financial Risk Management

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

Credit risk. The Company exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

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

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

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

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Company applies an approach based on risk grades estimated by external international rating agencies (Standard & Poor's – "S&P", Fitch, Moody's). External credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Corresponding ratings of external international rating agencies (S&P)	Corresponding PD interval
Excellent	AAA to BB+	0,01% – 0,5%
Good	BB to B+	0,51% – 3%
Satisfactory	B, B-	3% – 10%
Special monitoring	CCC+ to CC-	10% – 99,9%
Default	C, D-I, D-II	100%

21 Financial Risk Management (Continued)

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

The rating models are regularly reviewed by management, backtested on actual default data and updated, if necessary. Despite the method used, the Company regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available.

Expected credit loss (ECL) measurement. The Company's trade receivables are primarily consisting of: a) receivables from sale of goods; and b) receivables from rendering of services.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade 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 36 month before 31 December 2021 or 31 December 2020 respectively. On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for trade receivables from customers. The expected credit losses are calculated as the difference between the expected future cash flows and the present value of expected cash flows discounted by the asset's refinancing rate.

Staging. For account receivable portfolio, IFRS 9 allows to use practical expedient by classifying such non-defaulted assets to stage 2 and not to perform staging process. Therefore, receivables are classified to either Stage 3 (when the conditions of default are met) or Stage 2 (when a given asset may be treated as non-defaulted) and thus always provisioned in lifetime perspective.

Impairment losses on trade receivables is presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Forward-looking approach for simplified approach for trade receivables. Due dates for trade receivables of the Company are short-term. The long-term macroeconomic development does not play significant role in shaping risk profile in the segments. Therefore, no forward-looking adjustment is implemented for accounts receivables.

The Company regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such back testing is performed at least once a year.

The results of back testing the ECL measurement methodology are communicated to management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

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

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

21 Financial Risk Management (Continued)

	At 31 December 2021			At 31 December 2020		
In Azerbaijani Manats	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
Azerbaijani Manats	1,543,877	(2,819,749)	(1,275,872)	931,529	(1,825,368)	(893,839)
Pound Sterling	252,766	(406,309)	(153,543)	481,622	-	481,622
Euros	111,986	(27,483)	84,503	-	-	-
US Dollars	115,165	(1,364)	113,801	-	-	-
Total	**2,023,794**	**(3,254,905)**	**(1,231,111)**	**1,413,151**	**(1,825,368)**	**(412,217)**

The above analysis includes only monetary assets and liabilities. Non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Company , with all other variables held constant:

	At 31 December 2021	At 31 December 2020
In Azerbaijani Manats	Impact on profit or loss	Impact on profit or loss
Pound Sterling strengthening by 20% (2020: strengthening by 20%)	(30,709)	96,324
Pound Sterling weakening by 20% (2020: weakening by 20%)	30,709	(96,324)
Euro strengthening by 20% (2020: strengthening by 20%)	16,901	-
Euro weakening by 20% (2020: weakening by 20%)	(16,901)	-
US Dollar strengthening by 20% (2020: strengthening by 20%)	22,760	-
US Dollar weakening by 20% (2020: weakening by 20%)	(22,760)	-

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Company.

Interest rate risk. The Company does not have floating interest rate financial instruments. However, interest margins may increase once there is a need to negotiate new credit facilities.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Liquidity risk is managed by the management of the Company. Management monitors monthly rolling forecasts of the Company's cash flows.

The Company seeks to maintain a stable funding base primarily consisting of borrowings, trade and other payables. The Company invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Company's liquidity portfolio comprises cash and cash equivalents (Note 13).

The table below shows liabilities at 31 December 2020 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

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

21 Financial Risk Management (Continued)

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

In Azerbaijani Manats	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Total
Liabilities					
Lease liabilities (Note 9)	(63,031)	(189,093)	(567,279)	(2,328,688)	(3,148,091)
Trade payables (Note 14)	(895,029)	-	-	-	(895,029)
Total future payments, including future principal and interest payments	**(958,060)**	**(189,093)**	**(567,279)**	**(2,328,688)**	**(4,043,120)**

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

In Azerbaijani Manats	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Total
Liabilities					
Lease liabilities (Note 9)	(39,431)	(78,862)	(354,879)	(1,892,688)	(2,365,860)
Trade payables (Note 14)	(55,250)	-	-	-	(55,250)
Total future payments, including future principal and interest payments	**(94,681)**	**(78,862)**	**(354,879)**		**(2,421,110)**

22 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 to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Company managed as of 31 December 2021 was AZN 1,857 thousand (2020: AZN 1,462 thousand).

23 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.

23 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-Dec-21			31-Dec-20		
In Azerbaijani Manats	Level 1 fair value	Level 2 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Carrying value
Assets						
Financial assets at AC						
- Cash and cash equivalents	454,076	-	454,076	331,154	-	331,154
- Trade receivables	-	1,569,718	1,569,718	-	1,081,997	1,081,997
Total Assets	**454,076**	**1,569,718**	**2,023,795**	**331,154**	**1,081,997**	**1,413,151**

	31-Dec-21		31-Dec-20	
In Azerbaijani Manats	Level 2 fair value	Carrying value	Level 2 fair value	Carrying value
LIABILITIES				
- Trade payables	(895,029)	(895,029)	(55,250)	(55,250)
- Lease liabilities	(2,359,876)	(2,359,876)	(1,770,118)	(1,770,118)
Total LIABILITIES	**(3,254,905)**	**(3,254,905)**	**(1,825,368)**	**(1,825,368)**

The fair values in level 2 and level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique.

24 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.

As of 31 December 2021 and 31 December 2020, all of the Company's financial assets and liabilities were carried at amortised cost.

25 Events after the Reporting Period

Impact of sanctions from Russia - Ukraine conflict. Since February 2022, numerous sanctions have been announced by majority of western countries against the Russian Federation due to the conflict between the Russian Federation and Ukraine. These sanctions are expected to have certain negative economic impact on the Russian Federation. As of the date of these financial statements, the Company's total exposure to Russian markets was immaterial. The Company's management is thoroughly monitoring the economic situation in the current environment and taking precautionary measures in order to manage associated risks.