

GNC-ALFA CJSC

**Financial Statements
for 2018**

Contents

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



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

Independent Auditors' Report

The Board of Directors
GNC-ALFA CJSC

Opinion

We have audited the financial statements of GNC-ALFA CJSC (the "Company"), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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


Tigran Gasparyan
Managing Partner, Director of KPMG Armenia LLC

KPMG Armenia LLC



KPMG Armenia LLC
30 May 2019


'000 AMD	Note	2018	2017*
Assets			
Property, plant and equipment	10	10,564,409	10,967,319
Intangible assets	11	546,435	666,210
Deferred tax assets	9	448,683	694,654
Prepayments for non-current assets		18,872	34,896
Total non-current assets		11,578,399	12,363,079
Inventories		64,986	68,531
Trade and other receivables	12	1,071,198	871,584
Current tax assets		19,647	7,000
Cash and cash equivalents	13	377,977	177,873
Total current assets		1,533,808	1,124,988
Total assets		13,112,207	13,488,067
Equity			
Share capital		1,000,000	1,000,000
Accumulated losses		(8,234,744)	(7,252,298)
Total equity	14	(7,234,744)	(6,252,298)
Liabilities			
Contract liabilities, non-current portion	16	1,372,149	1,074,215
Total non-current liabilities		1,372,149	1,074,215
Contract liabilities, current portion	16	134,563	363,234
Loans and borrowings	17	18,143,203	17,266,311
Trade and other payables	18	697,036	1,036,605
Total current liabilities		18,974,802	18,666,150
Total liabilities		20,346,951	19,740,365
Total equity and liabilities		13,112,207	13,488,067

* The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 5.

'000 AMD	Note	2018	2017*
Revenue	6	6,716,856	6,264,472
Purchased internet traffic		(589,216)	(594,955)
Lease of network infrastructure		(969,556)	(1,210,058)
Interconnection charges		(36,982)	(36,893)
Cost of goods sold and services provided		(9,476)	(20,421)
Wages and other employee benefits		(909,919)	(830,336)
Depreciation and amortization		(1,827,424)	(2,205,556)
Repairs and maintenance		(254,102)	(201,037)
Other operating expenses	7	(1,094,465)	(1,048,611)
Other expenses		-	(27,033)
Other operating income		88,460	68,696
Results from operating activities		1,114,176	158,268
Impairment losses on trade receivables		(75,198)	(43,113)
Finance income	8	16,117	572
Finance costs	8	(1,314,502)	(1,116,506)
Net finance costs		(1,373,583)	(1,159,047)
Loss before income tax		(259,407)	(1,000,779)
Income tax (expense)/benefit	9	(341,385)	106,817
Total comprehensive loss for the year		(600,792)	(893,962)

* The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 5.

These financial statements were approved by management on 30 May 2019 and were signed on its behalf by:



Hayk Paramazyan
General Director





Hayk Aslanyan
Finance Director

GNC-ALFA CJSC
Statement of Changes in Equity for the year ended 31 December 2018

'000 AMD	Share capital	Accumulated losses	Total
Balance at 1 January 2017	1,000,000	(6,358,336)	(5,358,336)
Total comprehensive loss			
Loss for the year	-	(893,962)	(893,962)
Total comprehensive loss for the year	-	(893,962)	(893,962)
Balance at 31 December 2017	1,000,000	(7,252,298)	(6,252,298)
Adjustment on initial application of IFRS 15, net of tax (Note 5(A))	-	(307,774)	(307,774)
Adjustment on initial application of IFRS 9, net of tax (Note 5(B))	-	(73,880)	(73,880)
Balance at 1 January 2018	1,000,000	(7,633,952)	(6,633,952)
Total comprehensive loss			
Loss for the year	-	(600,792)	(600,792)
Total comprehensive loss for the year	-	(600,792)	(600,792)
Balance at 31 December 2018	1,000,000	(8,234,744)	(7,234,744)

* The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 5.

‘000 AMD	2018	2017*
Cash flow from operating activities		
Cash receipts from customers	7,287,635	7,095,927
Cash paid to suppliers and employees	(3,784,089)	(4,037,155)
Payments for taxes other than on income	(1,276,245)	(783,374)
Cash generated from operating activities	2,227,301	2,275,398
Interest paid	(222,509)	(790,944)
Net cash flows from operating activities	2,004,792	1,484,454
Cash flows from investing activities		
Interest received	16,117	572
Borrowings given	4,815	-
Repayment of borrowings given	(7,298)	-
Proceeds from sale of property, plant and equipment	1,912	8,442
Acquisition of property, plant and equipment	(1,761,760)	(1,706,557)
Acquisition of intangible assets	(52,902)	(28,424)
Net cash flows used in investing activities	(1,799,116)	(1,725,967)
Cash flows from financing activities		
Proceeds from borrowings	7,539,044	6,013,801
Repayment of borrowings	(7,538,726)	(5,542,149)
Net cash flows from financing activities	318	471,652
Net increase in cash and cash equivalents	205,994	230,139
Effect of exchange rate fluctuations on cash and cash equivalents	(5,890)	(3,353)
Cash and cash equivalents as of 1 January	177,873	(48,913)
Cash and cash equivalents as of 31 December (Note 13)	377,977	177,873

* The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 5.