

GNC-ALFA CJSC

**Financial Statements
for 2019**

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Independent Auditors' Report

To the Board of Directors of 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 2019, 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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards) 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 International Code of Ethics. 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 or KPMG Armenia LLC



KPMG Armenia LLC
9 June 2020

Statement of Financial Position as at 31 December 2019

'000 AMD	Note	2019	2018*
Assets			
Property, plant and equipment	10	10,506,278	10,564,409
Intangible assets	11	425,853	546,435
Right of use asset	12	1,327,511	-
Deferred tax assets	9	311,298	448,683
Prepayments for non-current assets		179,904	18,872
Total non-current assets		12,750,844	11,578,399
Inventories		65,102	64,986
Trade and other receivables	13	1,042,325	1,071,198
Current tax assets		-	19,647
Cash and cash equivalents	14	1,046,316	377,977
Total current assets		2,153,743	1,533,808
Total assets		14,904,587	13,112,207
Equity			
Share capital		1,000,000	1,000,000
Accumulated losses		(7,779,441)	(8,234,744)
Total equity	15	(6,779,441)	(7,234,744)
Liabilities			
Contract liabilities	17	1,299,829	1,372,149
Lease liability	12	1,167,481	-
Total non-current liabilities		2,467,310	1,372,149
Contract liabilities	17	94,642	134,563
Loans and borrowings	18	17,991,087	18,143,203
Lease liability	12	229,063	-
Current tax liability		132,393	-
Trade and other payables	19	769,533	697,036
Total current liabilities		19,216,718	18,974,802
Total liabilities		21,684,028	20,346,951
Total equity and liabilities		14,904,587	13,112,207

* The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in accumulated losses at the date of initial application. See Note 5.

Statement of Profit or Loss and Other Comprehensive Income for 2019

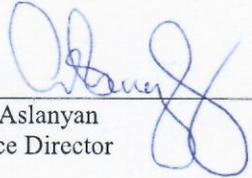
000 AMD	Note	2019	2018*
Revenue	6	6,841,099	6,716,856
Other operating income		85,247	88,460
Purchased internet traffic		(447,591)	(589,216)
Network infrastructure costs		(753,053)	(969,556)
Interconnection charges		(30,045)	(36,982)
Cost of goods sold and services provided		(42,192)	(9,476)
Wages and other employee benefits		(939,568)	(909,919)
Depreciation and amortization		(1,912,954)	(1,827,424)
Repairs and maintenance		(238,413)	(254,102)
Other operating expenses	7	(1,036,742)	(1,094,465)
Impairment losses on trade receivables	20 (b)	(51,589)	(75,198)
Results from operating activities		1,474,199	1,038,978
Finance income	8	25,677	16,117
Net foreign exchange gain/(loss)	8	526,644	(153,742)
Finance costs	8	(1,281,792)	(1,160,760)
Net finance costs		(729,471)	(1,298,385)
Profit/(loss) before income tax		744,728	(259,407)
Income tax expense	9	(289,425)	(341,385)
Profit/(loss) for the year		455,303	(600,792)

* The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in accumulated losses at the date of initial application. See Note 5.

These financial statements were approved by management on 9 June 2020 and were signed on its behalf by:


Hayk Faramazyan
General Director




Hayk Aslanyan
Finance Director

Statement of Changes in Equity for 2019

'000 AMD	Share capital	Accumulated losses	Total
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)
Balance at 1 January 2019 *	1,000,000	(8,234,744)	(7,234,744)
Total comprehensive income			
Profit for the year	-	455,303	455,303
Total comprehensive income for the year	-	455,303	455,303
Balance at 31 December 2019	1,000,000	(7,779,441)	(6,779,441)

* The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in accumulated losses at the date of initial application. See Note 5.

Statement of Cash Flows for 2019

'000 AMD	Note	2019	2018 *
Cash flow from operating activities			
Cash receipts from customers		7,606,514	7,287,635
Cash paid to suppliers and employees		(3,262,740)	(3,784,089)
Payments for taxes other than on income		(1,052,813)	(1,251,514)
Cash generated from operating activities		3,290,961	2,252,032
Interest paid	18, 12	(725,620)	(247,240)
Net cash flows from operating activities		2,565,341	2,004,792
Cash flows from investing activities			
Interest received		25,677	16,117
Borrowings given		(2,400)	(7,298)
Repayment of borrowings given		-	4,815
Proceeds from sale of property, plant and equipment		4,805	1,912
Acquisition of property, plant and equipment		(1,715,474)	(1,761,760)
Acquisition of intangible assets		(26,888)	(52,902)
Net cash flows used in investing activities		(1,714,280)	(1,799,116)
Cash flows from financing activities			
Proceeds from borrowings	18	9,066,303	7,539,044
Repayment of borrowings	18	(9,066,522)	(7,538,726)
Lease liability payments	12	(182,834)	-
Net cash flows (used in)/from financing activities		(183,053)	318
Net increase in cash and cash equivalents		668,008	205,994
Effect of exchange rate fluctuations on cash and cash equivalents		331	(5,890)
Cash and cash equivalents as of 1 January		377,977	177,873
Cash and cash equivalents as of 31 December	14	1,046,316	377,977

* The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in accumulated losses at the date of initial application. See Note 5.

The Company has classified:

- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Company; and
- short-term lease payments and payments for leases of low-value assets as operating activities included in cash paid to suppliers and employees line item.

The Company has not restated the comparative information.