

GNC-ALFA CJSC

**Financial Statements
for the year ended 31 December 2015**

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 cjsc
8th floor, Erebuni Plaza Business Center,
26/1 Vazgen Sargsyan Street
Yerevan 0010, Armenia
Telephone + 374 (10) 566 762
Fax + 374 (10) 566 762
Internet www.kpmg.am

Independent Auditors' Report

The Board of Directors
GNC-ALFA CJSC

We have audited the accompanying financial statements of GNC-ALFA CJSC (the "Company"), which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


Tigran Gasparyan
Managing Partner, Director of KPMG Armenia cjsc

KPMG Armenia cjsc

KPMG Armenia cjsc
20 May 2016



'000 AMD	Note	2015	2014
Assets			
Property, plant and equipment	9	12,103,772	11,852,054
Intangible assets	10	815,706	830,415
Deferred tax assets	11	383,110	320,153
VAT recoverable		-	181,921
Prepayments for non-current assets		74,870	52,720
Total non-current assets		13,377,458	13,237,263
Inventories		104,786	86,969
Trade and other receivables	12	1,592,081	1,441,571
Current tax assets		7,000	86,423
Cash and cash equivalents	13	87,420	34,656
Total current assets		1,791,287	1,649,619
Total assets		15,168,745	14,886,882
Equity			
Share capital	14	1,000,000	1,000,000
Accumulated losses		(5,069,764)	(3,017,685)
Total equity		(4,069,764)	(2,017,685)
Liabilities			
Deferred revenue and prepayments received, non-current portion	16	1,743,812	2,040,130
Total non-current liabilities		1,743,812	2,040,130
Bank overdrafts	13	170,043	256,014
Deferred revenue and prepayments received, current portion	16	376,091	364,285
Loans and borrowings	17	15,773,864	12,409,171
Trade and other payables	18	1,174,699	1,834,967
Total current liabilities		17,494,697	14,864,437
Total liabilities		19,238,509	16,904,567
Total equity and liabilities		15,168,745	14,886,882

GNC-ALFA CJSC
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2015

'000 AMD	Note	2015	2014
Revenue	5	4,926,432	3,575,883
Purchased internet traffic		(885,465)	(869,077)
Lease of network infrastructure		(786,487)	(406,575)
Interconnection charges		(27,411)	(25,601)
Cost of goods sold		(46,864)	(9,533)
Wages and other employee benefits		(674,885)	(663,043)
Depreciation and amortization		(2,081,370)	(1,726,042)
Repairs and maintenance		(237,243)	(294,653)
Other operating expenses	6	(972,779)	(792,705)
Other operating income		25,939	49,082
Results from operating activities		(760,133)	(1,162,264)
Finance income	7	137	2,208
Finance costs	7	(1,355,040)	(2,421,479)
Net finance costs		(1,354,903)	(2,419,271)
Loss before income tax		(2,115,036)	(3,581,535)
Income tax benefit/(expense)	8	62,957	(27,702)
Total comprehensive loss for the year		(2,052,079)	(3,609,237)

These financial statements were approved by management on 20 May 2016 and were signed on its behalf by:



Hayk Faramazyan
General Director





Lilit Ayvazyan
Chief Accountant

GNC-ALFA CJSC
Statement of Changes in Equity for the year ended 31 December 2015

'000 AMD	Share capital	Accumulated losses	Total
Balance at 1 January 2014	1,000,000	591,552	1,591,552
Total comprehensive loss for the year			
Loss for the year	-	(3,609,237)	(3,609,237)
Total comprehensive loss for the year	-	(3,609,237)	(3,609,237)
Balance at 31 December 2014	1,000,000	(3,017,685)	(2,017,685)
Balance at 1 January 2015	1,000,000	(3,017,685)	(2,017,685)
Total comprehensive loss for the year			
Loss for the year	-	(2,052,079)	(2,052,079)
Total comprehensive loss for the year	-	(2,052,079)	(2,052,079)
Balance at 31 December 2015	1,000,000	(5,069,764)	(4,069,764)

‘000 AMD	2015	2014
Cash flow from operating activities		
Cash receipts from customers	5,395,305	3,736,966
Cash paid to suppliers and employees	(4,574,582)	(3,495,774)
Cash generated from operating activities	820,723	241,192
Interest paid	(967,372)	(609,089)
Net cash flows used in operating activities	(146,649)	(367,897)
 Cash flows from investing activities		
Interest received	137	11
Proceeds from sale of property, plant and equipment	7,488	23,924
Withdrawal of bank deposits	-	982,548
Acquisition of property, plant and equipment	(2,572,330)	(3,410,450)
Acquisition of intangible assets	(148,681)	(224,726)
Net cash flows used in investing activities	(2,713,386)	(2,628,693)
 Cash flows from financing activities		
Proceeds from borrowings	4,415,660	4,014,217
Repayment of borrowings	(1,421,740)	(941,139)
Net cash flows from financing activities	2,993,920	3,073,078
 Net increase in cash and cash equivalents	133,885	76,488
Effect of exchange rate fluctuations on cash and cash equivalents	4,850	(59,113)
Cash and cash equivalents as of 1 January	(221,358)	(238,733)
Cash and cash equivalents as of 31 December (note 13)	(82,623)	(221,358)