

GNC-ALFA CJSC

**Financial Statements
for 2020**

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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 2020, 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 2020, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (*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
18 May 2021



Statement of Financial Position as at 31 December 2020

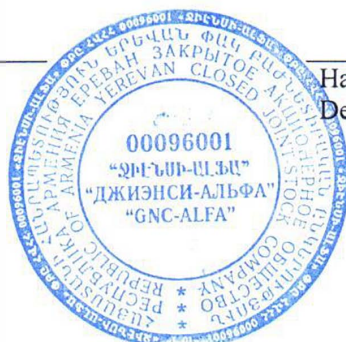
'000 AMD	Note	2020	2019
Assets			
Property, plant and equipment	9	10,834,141	10,506,278
Intangible assets	10	440,602	425,853
Right of use asset	11	1,085,841	1,327,511
Deferred tax assets	8	313,771	311,298
Prepayments for non-current assets		51,310	179,904
Total non-current assets		12,725,665	12,750,844
Inventories		66,154	65,102
Trade and other receivables	12	1,027,825	1,042,325
Cash and cash equivalents	13	298,349	1,046,316
Total current assets		1,392,328	2,153,743
Total assets		14,117,993	14,904,587
Equity			
Share capital		1,000,000	1,000,000
Accumulated losses		(11,249,069)	(7,779,441)
Total equity	14	(10,249,069)	(6,779,441)
Liabilities			
Contract liabilities	16	1,218,154	1,299,829
Lease liability	11	965,286	1,167,481
Total non-current liabilities		2,183,440	2,467,310
Contract liabilities	16	118,055	94,642
Loans and borrowings	17	20,893,766	17,991,087
Lease liability	11	210,944	229,063
Current tax liability		168,885	132,393
Trade and other payables	18	791,972	769,533
Total current liabilities		22,183,622	19,216,718
Total liabilities		24,367,062	21,684,028
Total equity and liabilities		14,117,993	14,904,587


Statement of Profit or Loss and Other Comprehensive Income for 2020

000 AMD	Note	2020	2019
Revenue	5	7,257,076	6,841,099
Other operating income		79,540	85,247
Purchased internet traffic		(612,418)	(447,591)
Network infrastructure costs		(766,388)	(753,053)
Interconnection charges		(31,679)	(30,045)
Cost of goods sold and services provided		(43,133)	(42,192)
Wages and other employee benefits		(1,312,621)	(939,568)
Depreciation and amortization		(1,863,123)	(1,912,954)
Repairs and maintenance		(210,689)	(238,413)
Other operating expenses	6	(826,286)	(1,036,742)
Impairment losses on trade receivables	19 (b)	(89,504)	(51,589)
Results from operating activities		1,580,775	1,474,199
Finance income	7	79,364	25,677
Net foreign exchange gain/(loss)	7	(3,611,393)	526,644
Finance costs	7	(1,259,055)	(1,281,792)
Net finance costs		(4,791,084)	(729,471)
Profit/(loss) before income tax		(3,210,309)	744,728
Income tax expense	8	(259,319)	(289,425)
Profit/(loss) for the year		(3,469,628)	455,303

These financial statements were approved by management on 18 May 2021 and were signed on its behalf by:


Hayk Paramazyan
General Director




Hayk Aslanyan
Deputy CEO / Finance Director

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 49.

Statement of Changes in Equity for 2020

'000 AMD	Share capital	Accumulated losses	Total
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)
Balance at 1 January 2020	1,000,000	(7,779,441)	(6,779,441)
Total comprehensive income			
Loss for the year	-	(3,469,628)	(3,469,628)
Total comprehensive loss for the year	-	(3,469,628)	(3,469,628)
Balance at 31 December 2020	1,000,000	(11,249,069)	(10,249,069)

Statement of Cash Flows for 2020

‘000 AMD	Note	2020	2019
Cash flow from operating activities			
Cash receipts from customers		8,407,253	7,606,514
Cash paid to suppliers and employees		(3,837,544)	(3,262,740)
Payments for taxes other than on income		(1,562,453)	(1,052,813)
Cash generated from operating activities		3,007,256	3,290,961
Interest paid	17, 11	(135,226)	(725,620)
Net cash flows from operating activities		2,872,030	2,565,341
Cash flows from investing activities			
Interest received		79,364	25,677
Borrowings given		(200)	(2,400)
Repayment of borrowings given		-	-
Proceeds from sale of property, plant and equipment		858	4,805
Acquisition of property, plant and equipment		(1,660,152)	(1,715,474)
Acquisition of intangible assets		(159,811)	(26,888)
Net cash flows used in investing activities		(1,739,941)	(1,714,280)
Cash flows from financing activities			
Proceeds from borrowings	17	(1,666,418)	9,066,303
Repayment of borrowings	17	-	(9,066,522)
Lease liability payments	11	(229,280)	(182,834)
Net cash flows (used in)/from financing activities		(1,895,698)	(183,053)
Net increase in cash and cash equivalents		(763,609)	668,008
Effect of exchange rate fluctuations on cash and cash equivalents		15,642	331
Cash and cash equivalents as of 1 January		1,046,316	377,977
Cash and cash equivalents as of 31 December	13	298,349	1,046,316

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.