

**GNC-ALFA CJSC**

**Financial Statements  
for the year ended 31 December 2012**

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## 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 2012, and the statements of 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 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
Andrew Coxshall  
Director

*KPMG Armenia cjsc*

KPMG Armenia cjsc  
30 April 2013



  
Tigran Gasparyan  
Head of Audit Department

<b>'000 AMD</b>	<b>Note</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>			
Property plant and equipment	10	6,508,588	4,961,065
Intangible assets		52,398	13,301
Bank deposits	12	888,798	-
Deferred tax assets	11	228,412	361,083
Prepayments for non-current assets		566,971	849
<b>Total non-current assets</b>		<b>8,245,167</b>	<b>5,336,298</b>
Inventories		102,132	53,368
Trade and other receivables	13	784,240	454,275
Bank deposits	12	2,907,994	-
Current tax assets		52,928	-
Cash and cash equivalents	14	628,703	23,947
<b>Total current assets</b>		<b>4,475,997</b>	<b>531,590</b>
<b>Total assets</b>		<b>12,721,164</b>	<b>5,867,888</b>
<b>Equity</b>			
Share capital	15	1,000,000	1,000,000
Retained earnings		1,038,649	25,034
<b>Total equity</b>		<b>2,038,649</b>	<b>1,025,034</b>
<b>Liabilities</b>			
Deferred income and prepayments received, non-current portion	16	2,746,264	3,377,476
<b>Total non-current liabilities</b>		<b>2,746,264</b>	<b>3,377,476</b>
Deferred income and prepayments received, current portion	16	396,185	403,124
Loan from ultimate parent company	17	7,269,204	-
Secured bank loans	17	-	192,942
Trade and other payables	18	270,862	611,291
Current tax liabilities		-	258,021
<b>Total current liabilities</b>		<b>7,936,251</b>	<b>1,465,378</b>
<b>Total liabilities</b>		<b>10,682,515</b>	<b>4,842,854</b>
<b>Total equity and liabilities</b>		<b>12,721,164</b>	<b>5,867,888</b>

**GNC-ALFA CJSC**  
Statement of Comprehensive Income for the year ended 31 December 2012

'000 AMD	Note	2012	2011
Revenue	6	3,606,976	3,540,985
Purchased internet traffic		(765,085)	(1,160,615)
Lease of network infrastructure		(258,123)	(176,412)
Cost of dark fibers sold		(125,621)	(88,099)
Interconnection charges		(78,483)	-
Wages and other employee benefits		(323,682)	(211,030)
Depreciation and amortization		(447,660)	(331,434)
Repairs and maintenance		(40,845)	(55,212)
Other operating expenses	7	(229,724)	(127,964)
Other operating income		3,509	285
<b>Results from operating activities</b>		<b>1,341,262</b>	<b>1,390,504</b>
Finance income	8	29,058	4,356
Finance costs	8	(99,893)	(69,890)
<b>Net finance costs</b>		<b>(70,835)</b>	<b>(65,534)</b>
<b>Profit before income tax</b>		<b>1,270,427</b>	<b>1,324,970</b>
Income tax expense	9	(256,812)	(275,532)
<b>Total comprehensive income for the year</b>		<b>1,013,615</b>	<b>1,049,438</b>

These financial statements were approved by management on 30 April 2013 and were signed on its behalf by:




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Hayk Faramazyan  
General Director





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Vardan Karapetyan  
Financial Director

**GNC-ALFA CJSC**  
Statement of Changes in Equity for the year ended 31 December 2012

'000 AMD	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
Balance at 1 January 2011	484,281	53,064	537,345
<b>Total comprehensive income for the year</b>			
Profit for the year	-	1,049,438	1,049,438
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>1,049,438</b>	<b>1,049,438</b>
<b>Transactions with owners, recorded directly in equity</b>			
Shares issued	515,719	(515,719)	-
Dividends to equity holders	-	(561,749)	(561,749)
<b>Total transactions with owners, recorded directly in equity</b>	<b>515,719</b>	<b>(1,077,468)</b>	<b>(561,749)</b>
<b>Balance at 31 December 2011</b>	<b>1,000,000</b>	<b>25,034</b>	<b>1,025,034</b>
Balance at 1 January 2012	1,000,000	25,034	1,025,034
<b>Total comprehensive income for the year</b>			
Profit for the year	-	1,013,615	1,013,615
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>1,013,615</b>	<b>1,013,615</b>
<b>Balance at 31 December 2012</b>	<b>1,000,000</b>	<b>1,038,649</b>	<b>2,038,649</b>

<b>‘000 AMD</b>	<b>2012</b>	<b>2011</b>
<b>Cash flow from operating activities</b>		
Cash receipts from customers	2,751,168	4,909,634
Cash paid to suppliers and employees	(2,097,424)	(1,786,832)
<b>Cash generated from operating activities</b>	<b>653,744</b>	<b>3,122,802</b>
Interest paid	(73,857)	(75,124)
Income tax paid	(435,090)	(210,300)
<b>Net cash flows from operating activities</b>	<b>144,797</b>	<b>2,837,378</b>
<b>Cash flows from investing activities</b>		
Interest received	10,638	4,356
Proceeds from sale of property, plant and equipment	3,079	-
Placement of bank deposits	(3,790,081)	-
Acquisition of property, plant and equipment and intangible assets	(2,855,199)	(1,795,124)
Loans repaid	680	320
<b>Net cash flows used in investing activities</b>	<b>(6,630,883)</b>	<b>(1,790,448)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	11,983,106	730,440
Repayment of borrowings	(4,891,778)	(1,059,519)
Dividends paid	-	(826,592)
<b>Net cash flows from/(used in) financing activities</b>	<b>7,091,328</b>	<b>(1,155,671)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>605,242</b>	<b>(108,741)</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(486)	(2,909)
Cash and cash equivalents as of 1 January	23,947	135,597
<b>Cash and cash equivalents as of 31 December</b>	<b>628,703</b>	<b>23,947</b>