

**GNC-ALFA CJSC**

**Financial Statements  
for the year ended 31 December 2013**

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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 2013, 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 2013, 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*

KPMG Armenia cjsc  
30 April 2014



  
Tigran Casparyan  
Head of Audit Department

KPMG Armenia cjsc, a company incorporated under the Laws of the Republic of Armenia, a subsidiary of KPMG Europe LLP, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

<b>'000 AMD</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>Assets</b>			
Property plant and equipment	10	10,634,963	6,508,588
Intangible assets	11	739,900	52,398
Bank deposits	13	-	888,798
Deferred tax assets	12	347,855	228,412
Prepayments for non-current assets		320,368	566,971
<b>Total non-current assets</b>		<b>12,043,086</b>	<b>8,245,167</b>
Inventories		105,245	102,132
Trade and other receivables	14	1,326,318	784,240
Bank deposits	13	977,795	2,907,994
Current tax assets		86,423	52,928
Cash and cash equivalents	15	16,587	628,703
<b>Total current assets</b>		<b>2,512,368</b>	<b>4,475,997</b>
<b>Total assets</b>		<b>14,555,454</b>	<b>12,721,164</b>
<b>Equity</b>			
Share capital	16	1,000,000	1,000,000
Retained earnings		591,552	1,038,649
<b>Total equity</b>		<b>1,591,552</b>	<b>2,038,649</b>
<b>Liabilities</b>			
Deferred income and prepayments received, non-current portion	18	2,394,404	2,746,264
<b>Total non-current liabilities</b>		<b>2,394,404</b>	<b>2,746,264</b>
Bank overdrafts	15	255,320	-
Deferred income and prepayments received, current portion	18	357,620	396,185
Loans and borrowings	19	7,633,410	7,269,204
Trade and other payables	20	2,323,148	270,862
<b>Total current liabilities</b>		<b>10,569,498</b>	<b>7,936,251</b>
<b>Total liabilities</b>		<b>12,963,902</b>	<b>10,682,515</b>
<b>Total equity and liabilities</b>		<b>14,555,454</b>	<b>12,721,164</b>

**GNC-ALFA CJSC**  
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2013

'000 AMD	Note	2013	2012
Revenue	6	2,612,739	3,606,976
Purchased internet traffic		(679,231)	(765,085)
Lease of network infrastructure		(305,527)	(258,123)
Cost of dark fibers sold		(12,563)	(125,621)
Interconnection charges		(104,606)	(78,483)
Wages and other employee benefits		(483,451)	(323,682)
Depreciation and amortization		(831,203)	(447,660)
Repairs and maintenance		(77,130)	(40,845)
Other operating expenses	7	(545,248)	(229,724)
Other operating income		12,439	3,509
<b>Results from operating activities</b>		<b>(413,781)</b>	<b>1,341,262</b>
Finance income	8	228,829	29,058
Finance costs	8	(381,588)	(99,893)
<b>Net finance costs</b>		<b>(152,759)</b>	<b>(70,835)</b>
<b>(Loss)/profit before income tax</b>		<b>(566,540)</b>	<b>1,270,427</b>
Income tax benefit/(expense)	9	119,443	(256,812)
<b>Total comprehensive (loss)/income for the year</b>		<b>(447,097)</b>	<b>1,013,615</b>

These financial statements were approved by management on 30 April 2014 and were signed on its behalf by:

  
 Hayk Faramazyan  
 General Director



  
 Vardan Karapetyan  
 Financial Director

**GNC-ALFA CJSC**  
*Statement of Changes in Equity for the year ended 31 December 2013*

<b>'000 AMD</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</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>
Balance at 1 January 2013	1,000,000	1,038,649	2,038,649
<b>Total comprehensive loss for the year</b>			
Loss for the year	-	(447,097)	(447,097)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(447,097)</b>	<b>(447,097)</b>
<b>Balance at 31 December 2013</b>	<b>1,000,000</b>	<b>591,552</b>	<b>1,591,552</b>

<b>‘000 AMD</b>	<b>2013</b>	<b>2012</b>
<b>Cash flow from operating activities</b>		
Cash receipts from customers	2,302,929	2,751,168
Cash paid to suppliers and employees	(2,326,495)	(2,097,424)
<b>Cash generated from operating activities</b>	<b>(23,566)</b>	<b>653,744</b>
Interest paid	(371,783)	(73,857)
Income tax paid	(35,150)	(435,090)
<b>Net cash flows (used in)/from operating activities</b>	<b>(430,499)</b>	<b>144,797</b>
<b>Cash flows from investing activities</b>		
Interest received	113,442	10,638
Proceeds from sale of property, plant and equipment	12,005	3,079
Placement of bank deposits	-	(3,790,081)
Withdrawal of bank deposits	2,955,277	-
Acquisition of property, plant and equipment	(3,093,972)	(2,811,252)
Acquisition of intangible assets	(749,608)	(43,947)
Loans repaid	-	680
<b>Net cash flows used in investing activities</b>	<b>(762,856)</b>	<b>(6,630,883)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	650,023	11,983,106
Repayment of borrowings	(331,779)	(4,891,778)
<b>Net cash flows from financing activities</b>	<b>318,244</b>	<b>7,091,328</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(875,111)</b>	<b>605,242</b>
Effect of exchange rate fluctuations on cash and cash equivalents	7,675	(486)
Cash and cash equivalents as of 1 January	628,703	23,947
<b>Cash and cash equivalents as of 31 December (note 15)</b>	<b>(238,733)</b>	<b>628,703</b>