

GNC-ALFA CJSC

**Financial Statements
for 2021**

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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 2021, 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 2021, 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
1 June 2022



Statement of Financial Position as at 31 December 2021

'000 AMD	Note	2021	2020
Assets			
Property, plant and equipment	9	11,143,131	10,834,141
Intangible assets	10	281,680	440,602
Right of use asset	11	1,215,958	1,085,841
Deferred tax assets	8	291,717	313,771
Prepayments for non-current assets		126,141	51,310
Total non-current assets		13,058,627	12,725,665
Inventories		65,009	66,154
Trade and other receivables	12	1,014,340	1,027,825
Cash and cash equivalents	13	1,215,097	298,349
Total current assets		2,294,446	1,392,328
Total assets		15,353,073	14,117,993
Equity			
Share capital		1,000,000	1,000,000
Accumulated losses		(7,718,877)	(11,249,069)
Total equity	14	(6,718,877)	(10,249,069)
Liabilities			
Contract liabilities	16	1,135,999	1,218,154
Lease liability	11	1,033,404	965,286
Total non-current liabilities		2,169,403	2,183,440
Contract liabilities	16	104,342	118,055
Loans and borrowings from ultimate parent company	17	18,530,893	20,893,766
Lease liability	11	276,636	210,944
Current tax liability		123,880	168,885
Trade and other payables	18	866,796	791,972
Total current liabilities		19,902,547	22,183,622
Total liabilities		22,071,950	24,367,062
Total equity and liabilities		15,353,073	14,117,993

Statement of Profit or Loss and Other Comprehensive Income for 2021

000 AMD	Note	2021	2020
Revenue	5	7,886,555	7,257,076
Other operating income		77,260	79,540
Purchase of internet		(1,330,184)	(1,146,092)
Network infrastructure costs		(279,779)	(232,714)
Interconnection charges		(134,557)	(31,679)
Cost of goods sold and services provided		(46,130)	(43,133)
Wages and other employee benefits		(1,332,901)	(1,312,621)
Depreciation and amortization		(1,851,511)	(1,863,123)
Repairs and maintenance		(223,864)	(210,689)
Other operating expenses	6	(919,881)	(826,286)
Impairment losses on trade receivables	19(b)	(91,237)	(89,504)
Results from operating activities		1,753,771	1,580,775
Finance income	7	34,712	79,364
Net foreign exchange gain/(loss)	7	3,264,265	(3,611,393)
Finance costs	7	(1,231,281)	(1,259,055)
Net finance income/(costs)		2,067,696	(4,791,084)
Profit/(loss) before income tax		3,821,467	(3,210,309)
Income tax expense	8	(291,275)	(259,319)
Profit/(loss) for the year		3,530,192	(3,469,628)

These financial statements were approved by management on 1 June 2022 and were signed on its behalf by:

Hayk Faramazyan
General Director



Hayk Aslanyan
Deputy CEO/Finance Director

Statement of Changes in Equity for 2021

'000 AMD	Share capital	Accumulated losses	Total
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)
Balance at 1 January 2021	1,000,000	(11,249,069)	(10,249,069)
Total comprehensive income			
Profit for the year	-	3,530,192	3,530,192
Total comprehensive income for the year	-	3,530,192	3,530,192
Balance at 31 December 2021	1,000,000	(7,718,877)	(6,718,877)

Statement of Cash Flows for 2021

‘000 AMD	Note	2021	2020
Cash flow from operating activities			
Cash receipts from customers		9,021,410	8,407,253
Cash paid to suppliers and employees		(3,996,601)	(3,837,544)
Payments for taxes other than on income		(1,838,974)	(1,562,453)
Cash generated from operating activities		3,185,835	3,007,256
Interest paid	17, 11	(150,627)	(135,226)
Net cash flows from operating activities		3,035,208	2,872,030
Cash flows from investing activities			
Interest received		34,712	79,364
Borrowings given		(1,160)	(200)
Proceeds from sale of property, plant and equipment		-	858
Acquisition of property, plant and equipment		(1,820,262)	(1,660,152)
Acquisition of intangible assets		(72,461)	(159,811)
Net cash flows used in investing activities		(1,859,171)	(1,739,941)
Cash flows from financing activities			
Proceeds from borrowings	17	-	(1,666,418)
Lease liability payments	11	(240,765)	(229,280)
Net cash flows used in financing activities		(240,765)	(1,895,698)
Net increase/(decrease) in cash and cash equivalents		935,272	(763,609)
Effect of exchange rate fluctuations on cash and cash equivalents		(18,524)	15,642
Cash and cash equivalents as of 1 January		298,349	1,046,316
Cash and cash equivalents as of 31 December	13	1,215,097	298,349