

Translated from Armenian

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S CONCLUSION**

**OF "TEL-CELL" CJSC
AND
ITS SUBSIDIARY COMPANIES GROUP
OF 2016**

YEREVAN-2017

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2016.....10

“AN AUDIT” CJSC

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Independent auditor's conclusion

To the General Meeting of the Shareholders and to the Board of Directors of “Tel-Cell” CJSC

Opinion

We have audited the attached consolidated financial statements of “Tel-Cell” CJSC (hereinafter referred to as the Company) and its subsidiary companies (hereinafter referred to as the Group) of the year ending on December 31, 2016, which include the consolidated statement on the financial status as of December 31, 2016, the consolidated statement on the consolidated financial results of the year ending on that date, the consolidated statement on the changes in the equity capital, consolidated statements on the cash flows and the annotations attached to the consolidated financial statements, including the summary of the main provisions of accounting policy.

By our opinion, the financial statements, in all essential respects, truly represent the financial status of “Tel-Cell” CJSC and its subsidiary companies as of December 31, 2016 and the results of the activity of the year ending on that date and the cash flows, in accordance with the International Financial Reporting Standards (IFRS).

Justification of opinion

We have audited in accordance with International Standards on Auditing (ISA). Our liability arising from those standards is additionally described in the section of “Auditor's liability for the audit of financial statements”. We are independent of the Group according to the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants (IESBA Code) and according to the requirements of independence and ethics applied towards this audit of financial statements in the Republic of Armenia, and we have fulfilled our other ethics responsibilities, in accordance with those requirements and the IESBA Code. We are sure that our auditor's proofs are sufficient and appropriate to serve as justification of our opinion.

The liability of the management for the financial statements

The executive body of the Company shall be liable for the preparation and true presentation of financial statements complying with the IFRSs and for such an internal control system which the management will consider necessary, to provide the possibility of preparing financial statements free from essential inaccuracies (arising both in the result of a mistake or a fraud).

While preparing the financial statements, the executive body shall be liable for the assessment of the ability of the Group to act uninterruptedly, revealing, if needed, the issues related to the uninterruptedness, as well as to apply the principle of uninterruptedness, except for cases, when the management intends either to dissolve the Group or to terminate its activity, or does not have a realistic alternative not to do so.

The Board of Directors of the Company is responsible for the supervision of the process of preparing the financial statements of the Group.

The auditor's liability

Our aims are to acquire reasonable assurance that the financial statements, in general, are free of essential inaccuracies arising in the result of fraud or a mistake, and to present auditor's conclusion including our opinion. The reasonable assurance is an assurance of high level, but it does not guarantee that the audit realized in accordance with the ISAs will always reveal the existing essential inaccuracy. Inaccuracies may arise in the result of a mistake or a fraud and are considered essential if it may be reasonably expected that they will separately or collectively affect the economic decisions of the users made based on the financial statements.

As a part of the audit realized in accordance with the ISAs, we apply professional judgment and keep professional skepticism throughout the audit. We also:

- Identify and assess the risks of essential inaccuracy of financial statements in the result of fraud or mistake, and, further to those risks, plan and realize auditing procedures and acquire auditing proofs, which provide sufficient and appropriate justification of our opinion. The risk of not detecting the essential inaccuracy arising from fraud is higher than those of a mistake, as fraud may include criminal agreement, falsification, deliberate omissions, distortions or bypassing the internal control system.

- We try to understand the internal control system related to the audit, in order to plan auditing procedures and not to express opinion on the efficiency of the internal control system of the Group.
- We evaluate the appropriateness of the applied accounting policy and the justification of the accounting evaluations made by the management and of the attached disclosures.
- We make a conclusion on the appropriateness of the application of the principle of uninterruptedness of accounting by the management and, based on the acquired auditing proofs, we assess whether there is a significant uncertainty connected with cases or conditions, which may cause a significant suspicion on the ability of the Group to act uninterruptedly. If we conclude that there is a significant uncertainty, we shall draw attention in our auditor's conclusion to the corresponding disclosures of financial statements, or, in case of incompliance of such disclosures, shall change our opinion. Our conclusions shall be based on the auditor's proofs acquired just before the date of our auditor's conclusion. However, future cases or conditions may cause the Group not to be considered acting uninterruptedly.
- We evaluate the total presentation of financial statements, their structure and content, including the disclosures and the fact whether financial statements reflect the underlying transactions and cases so that they ensure true presentation.

Among other issues, we inform the management of the Group about the planned framework of the audit and its terms, about the essential issues revealed during the audit, including the material weaknesses.

The responsible Head of the audit that served as a ground for the present independent auditor's conclusion is:

Artur Harutyunyan

Director

"AN Audit" CJSC

Yerevan,

June 30, 2017

Cell CJSC

Consolidated statement on the financial status

AMD	Annotation	31.12.2016	31.12.2015
Current assets			
Intangible assets	6	249,937	300,158
Financial assets	7	58,904	63,115
Goodwill	8	1,157,700	1,157,700
Deferred tax assets		27,926	12,900
Other non-current assets		1,787	8,799
Total non-current assets		1,496,254	1,542,672
Current assets			
Reserves	9	62,166	45,581
Commercial and other accounts receivable and advance payments	10	258,105	627,571
Advance payment in relation to profit tax		1,556	30,011
Provided borrowings		20,900	6,800
Monetary means	11	1,646,598	1,431,091
Other current assets		-	143
Total current assets		1,989,325	2,141,197
Total assets		3,485,579	3,683,869
Equity capital and liabilities			
Chartered capital	12	150,000	150,000
Reserve capital	13	35,000	35,000
Accumulated profit		421,299	440,629
Total equity capital attributable to the shareholders of the parent company		606,299	625,629
Non-controllable share		11,889	28,012
Total equity capital		618,188	653,641
Non-current liabilities			
Loans and borrowings	14	57,111	590,595
Other non-current liabilities	15	126,021	108,990
Total non-current liabilities		183,132	699,585
Current liabilities			
Loans and borrowings	14	535,191	490,042
Liability for profit tax		25,581	-
Commercial and other accounts payable	16	2,099,331	1,827,682
Current reserves		24,155	12,919
Total current liabilities		2,684,258	2,330,643
Total equity capital and liabilities		3,485,578	3,683,869

General Director: /signature and seal/

Aram Azatyan

Chief Accountant: /signature/

Artur Torosyan

June 30, 2017

The consolidated statement on the consolidated financial results shall be read along with the attached annotations presented on pages from 10 to 40, which constitute as part of the present consolidated financial statements.

Cell" CJSC

Consolidated statement on the consolidated financial results

thousand AMD	Annotation	2016	2015
Revenue	17	2,279,265	2,260,280
Price of rendered services	18	(1,335,059)	(1,222,773)
Gross profit		944,206	1,037,507
Depreciation expenses	19	(139,407)	(118,795)
Administrative expenses	20	(340,704)	(301,419)
Other incomes	21	209,594	238,442
Other expenses	22	(62,510)	(67,288)
Interest incomes		-	2,274
Financial expenses	14	(91,607)	(146,582)
Net profit (loss) from foreign exchange rate difference		15,371	(35,145)
Profit (loss) before profit tax		534,943	608,994
Income (expense) from profit tax	23	(120,396)	(129,342)
Profit (loss) and total consolidated financial result, which is attributable to		414,547	479,652
Shareholders of parent company		430,670	483,971
Uncontrollable share		(16,123)	(4,319)

General Director:

/signature and seal/

Aram Azatyan

Chief Accountant:

/signature/

Artur Torosyan

June 30, 2017

The consolidated statement on the consolidated financial results shall be read along with the attached annotations presented on pages from 10 to 40, which constitute as part of the present consolidated financial statements.

Consolidated statement on the changes in the equity capital

Thousand AMD	Chartered capital	Reserve capital	Non-distributed profit (uncovered loss)	Equity capital attributable to the shareholders of parent company	Non-controllable share	Total
Balance, as of January 1, 2015	30,000	25,000	782,658	837,658	32,331	869,989
Total consolidated financial result of the year	-		483,971	483,971	(4,319)	479,652
Increase of the chartered capital	120,000		(120,000)	-	-	-
Allocation to the reserve fund	-	10,000	(10,000)	-	-	-
Declared dividends	-	-	(696,000)	(696,000)	-	(696,000)
Balance as of December 31, 2015	150,000	35,000	440,629	625,629	28,012	653,641

Thousand AMD	Chartered capital	Reserve capital	Non-distributed profit (uncovered loss)	Equity capital attributable to the shareholders of parent company	Non-controllable share	Total
Balance, as of January 1, 2016	150,000	35,000	440,629	625,629	28,012	653,641
Total consolidated financial result of the year	-	-	430,670	430,670	(16,123)	414,547
Increase of the chartered capital	-	-	-	-	-	-
Allocation to the reserve fund	-	-	-	-	-	-
Declared dividends	-	-	(450,000)	(450,000)	-	(450,000)
Balance as of December 31, 2016	150,000	35,000	421,299	606,299	11,889	618,188

General Director: /signature and seal/ Aram Azatyan
 Chief Accountant: /signature/ Artur Torosyan
 June 30, 2017

The consolidated statement on the changes in the equity capital shall be read along with the attached annotations presented on pages from 10 to 40, which constitute as part of the present consolidated financial statements.

Consolidated statement on the cash flows

Thousand AMD	2016	2015
Cash flows from operating activity		
Inflows from rendering services	2,266,730	2,091,526
Net inflows from payment and settlement activity	476,347	707,204
Other inflows	32,458	18,418
Payments to suppliers and on their behalf	(1,103,698)	(976,694)
Payments to employees, to management bodies and on their behalf	(475,506)	(403,760)
Paid taxes and mandatory payments, except for the profit tax	(20,369)	(13,266)
Other outflows	(115,603)	(112,968)
Paid profit tax	(95,923)	(244,571)
Net cash lows from total operating activity	964,436	1,065,889
Cash flows from investment activity		
Outflows from the procurement of fixed and intangible assets	(78,773)	(179,738)
Inflows from the sale of fixed assets	157	59,302
Outflows from the provided loans	(46,700)	(1,300,000)
Inflows from the repayment of the provided loans	27,120	140,768
Received interests	-	2,274
Net Cash flows from total investment activity	(98,156)	(1,227,394)
Cash flows from financial activity		
Involvement of loans and borrowings	-	1,789,791
Repayment of loans and borrowings	(486,835)	(1,135,721)
Return of the prepayment given for buying back the equity capital	264,170	644,112
Paid interests	(89,448)	(145,775)
Paid dividends	(348,750)	(539,400)
Net Cash flows from total financial activity	(660,863)	613,007
Net total Cash flows	205,417	401,502
Differences of foreign currency exchange rate in relation to monetary means	10,090	(12,839)
Remainder of cash as of January 1	1,431,091	1,042,428
Remainder of cash as of December 31	1,646,598	1,431,091

General Director: /signature and seal/

Aram Azatyan

Chief Accountant: /signature/

Artur Torosyan

June 30, 2017

The consolidated statement on the cash flows shall be read along with the attached annotations presented on pages from 10 to 40, which constitute as part of the present consolidated financial statements.

1. The nature of the activity and general information

Tel-Cell CJSC (hereinafter referred to as the Company) was registered by the State Registry of Legal Entities of the Republic of Armenia and has received state registration certificate of a legal entity on May 29, 2007. The Company acts in accordance with the RA Legislation, RA Civil Code, RA Law on "Joint Stock Companies", RA Law on "Payment and settlement systems and payment and settlement organizations" and is controlled by the RA Central Bank (hereinafter referred to as the RA CB). Based on the licenses issued by the RA CB, the Company deals with the following types of activity:

- Clearing of payment instruments and payment and settlement documents,
- Processing of payment instruments and payment and settlement documents,
- Realization of money transfers.

The Company carries out its activity in its head office at the address: Vardanants blind alley 8, Yerevan city, RA. By 31.12.2016, the Company has 15 branches (by 31.12.2015 - 27 branches).

The supreme management body of the Company is the General Meeting of the Shareholders of the Company, which is entitled for the final settlement of any issue of the management and the activity of the Company. The general management of the Company, except for the issues which are vested to the exclusive competency of the General Meeting of the Shareholders of the Company, is realized by the Board of Directors of the Company, with the following staff:

Artashes Avetisyan	Chairman of the Board
Yevgeny Treyster	Board Member
Aram Azatyan	Board Member

The ongoing management of the activity of the Company is realized by the General Director of the Company. The supervision of the financial and economic activity is realized by the auditor elected by the General Meeting of the Shareholders of the Company.

The listed number of the employees of the Group formed 166 persons by 31.12.2016 (158 persons by 31.12.2015).

The parent company of the Company is RENOMAX LTD, which is registered in Cyprus and the shareholder of which is Sotirios Pittas. By 31.12.2016m the structure of the shareholders of the Company was as follows:

Shareholder	Share, %
“RENOMAX LTD”	56.28
Aram Norik Sargsyan	37.91
Tatevik Artashes Avetisyan	5.81
Total	100.00

By December 31, 2016, the Group was comprised of the parent company and 2 subsidiary companies (hereinafter referred to as the Group), brief information of which is presented below:

Name of subsidiary company	Location	Nature of activity	Controlled share, %	
			2016	2015
“Tel-Cell Service” LLC	RA	Provision of terminals on lease, advertising services	100%	100%
“Mega Pantera” LLC	RA	Activity is temporarily terminated	50%	50%

2. Principles of preparation

2.1. Statement on compliance

The present financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

2.2. Principles of measurement

The present financial statements have been prepared by using the following principles of measurement:

- Preliminary recognition of the financial assets and financial liabilities by the principle of the real cost, taking into consideration the expenditures connected with the transaction, and the further measurement – by the principle of the amortized value.
- Non-financial assets and liabilities – by the principle of the initial value.

The real value is defined as price, which will be received from the sale of the asset in an ordinary transaction between the market participants or will be paid against the transfer of liabilities by the date of the measurement.

IFRS 13 establishes a hierarchy of defining real values, which reflects the relative reliability of different ways of receiving the real value.

(a) Active market: quoted price (1st level)

To review the quoted prices for the same financial instruments in active markets.

(b) Evaluation methodology by using visible initial data (2nd level)

To observe the quoted prices for the same financial instruments in active markets or the quoted prices for the same or similar instruments in non-active markets, or to use evaluation methodologies, where all essential initial data are observable.

(c) Evaluation methodology by using essential non-observable initial data (3rd level)

To use evaluation methodologies, where one or more essential initial data are not observable.

2.3. Functional and presentation currency

RA national currency is the Armenian dram, which is the functional and presentation currency of the Group. The whole presented financial information is rounded up to the nearest thousand drams.

2.4. Using evaluations and judgments

For the preparation of consolidated financial statements in accordance with the IFRSs, it is necessary that the management makes judgments, assessments and presumptions, that have an impact on the application of accounting policy, as well as on the assets, liabilities, incomes and costs amounts presented in the consolidated financial statements. Factual results may be different from those assessments.

Assessments and underlying presumptions are continuously reviewed. The results of accounting assessments reviews are recognized during the reviewal period and during further periods, on which they have an impact.

2.5. Signing

The present consolidated financial statements have been signed on June 30, 2017, by the General Director of the Company Aram Azatyan and by the Chief Accountant Artur Torosyan.

2.6. Principles of consolidation of statements

The consolidated financial statements by December 31, 2016 are comprised of the financial statements of the Company and its subsidiary companies.

Subsidiaries are such organizations, towards which the Company has control. The Company has control on the investment object only in case if the investor has all of the following:

- a) authority towards the investment object,
- b) In the result of its involvement in the investment object, the right of variable compensations or subjection to risk and
- c) Ability to use its authorities towards the investment object, for the purpose of having influence on the amounts of the investor's compensations.

Subsidiary companies have fully united from the moment the Company acquires control over them and will continue uniting until the end of that control. The financial statements of subsidiary companies have been prepared for the same period as the Company's, using consistent accounting policy. All intergroup balances, transactions, unrealized profits and losses and dividends which are the result of intergroup activity, have been completely excluded.

The total consolidated financial result of the subsidiary company is attributed to the controlled share, even if it brings to the negative balance of the uncontrolled share.

2.7. Reclassifications of the previous periods

While preparing the present consolidated financial statements, the Management of the Group has reviewed the approach to present the guarantee amounts paid by them for the proper fulfillment of liabilities in the consolidated statement on the financial status of the Group according to the contract concluded with agents. The Group previously presented such amounts in the current liabilities, including in the received advance payments. The new approach is based on the fact that, in fact, the Group is obliged to return such guarantee

amounts to the agents at the end of the validity term of the contract. As such contracts are long term, thus, according to the new approach, those guarantee amounts are classified as non-current liabilities, being included in other liabilities.

The mentioned reclassification did not have any impact on the financial result and accumulated profit by any date.

3. Essential information on the accounting policy

The presented accounting policy has been applied during the preparation of consolidated financial statements. Accounting policy has been applied consistently.

3.1. Revenue

The revenue is the gross inflow of economic gains arising from the regular activity of the Group, which brings to the increase of the equity capital, except for the increase of the equity capital in the result of the contributions of participants in the equity capital.

Revenue is measured by the real value of the received or receivable compensation.

Revenue from rendering services is recognized based on the level of completeness of the transaction on monthly basis. The result of the transaction may be reliably assessed if they meet all the following conditions.

- a) it is possible to reliably measure the revenue amount;
- b) it is possible that the economic gains connected with the transaction will flow to the Company.
- c) It is possible to reliably measure the costs made for the transaction and necessary for finishing the transaction.

When it is not possible to reliably assess the result of the transaction for rendering services, the revenue is considered recognized only with the amount of those expenses, which shall be probably compensated.

The Company has mainly received its revenue from the following sources:

- Commissions received from the partner/operator against the amounts collected and transferred for the latter's interests which arise from the payments of customers.
- Commissions charged immediately from the customer, against rendering payment receiving service.

- Commissions charged immediately from the customer against international money transfers.

Interest incomes and expenses

Interest income and expense are recognized in the profit or loss, applying the method of effective interest rate.

When the value of the financial asset or of the group of similar financial assets have been decreased in the result of a loss from depreciation, after that, the interest income is recognized by using the interest rate, which was applied for the purpose of measuring the depreciation loss, in order to discount the future cash flows.

3.2. Profit tax

Current profit taxes for the current and previous periods, with the amount of their non-paid part, are recognized as a liability. If the amount already paid for the current and previous periods exceeds the amount subject to payment for those periods, the exceeding part shall be recognized as active.

Current tax liabilities for the current and previous periods (assets) are measured by the amount which is expected to be paid to state budget (will be compensated from the budget), applying tax rates (and tax laws), which have been in force by the end of the reporting period.

Postponed tax liability is recognized for all taxable temporary differences, except for the postponed tax liabilities which arise:

- a) from the initial recognition of goodwill,
- b) from the initial recognition of an asset or liability, under such a transaction, which is not an entrepreneurial activity union and at the moment of that transaction and does not have an influence neither on the accounting profit, nor on the taxable profit (tax loss).

Postponed tax asset is recognized for all decreased temporary differences with as much as it is possible to receive taxable profit, against which may be used the decreased temporary difference, except for the postponed tax assets, that arise from the initial recognition of the asset or liability under such a transaction, which is not an entrepreneurial activity union

and at the moment of that transaction does not affect neither the accounting profit, nor the taxable profit (tax loss).

For the unused tax losses transferred to the coming periods and for the tax discounts is recognized as postponed tax asset with the probable amount, that the Company will have a taxable profit in future, against which may be used those unused tax losses and unused tax discounts.

Postponed tax assets and liabilities are measured by using the tax rates which are expected to be used during the realization of the asset or during the repayment of liability, taking as a basis the tax rates (and tax laws) which have been in force or have in fact been in force by the end of the reporting period.

Postponed tax assets and liabilities are not discounted.

The balance sheet value of the postponed tax asset by the end of each reporting period is checked (reviewed). The Company decreases the balance sheet value of the postponed tax asset with as much as it is no more probable that will receive taxable profit, which will allow to realize the gains from the postponed tax asset fully or partially. Any such a decrease shall be recovered to the extent it becomes probable to receive sufficient taxable profit.

Current and postponed taxes are recognized as income or expense and are included in the profit or loss of that period, except for the part of tax, which arises:

- a) from a transaction or event which is recognized in on or another period as out of the profit or loss or in another consolidated financial result, or directly in the equity capital or
- b) from the union of entrepreneurial activity.

Current and postponed tax is recognized out of the profit or loss, if the tax refers to the articles which, in the same or in another period, have been recognized as out of the profit or loss. Thus, current and postponed taxes, which refer to the articles which have in the same or in different periods recognized:

- a) in another consolidated financial result, are recognized in another consolidated financial result.
- b) Directly in the equity capital, are recognized directly in the equity capital (for example: verification of the starting balance of the non-distributed profit, which arises either from

the change of the accounting policy applied retrospectively or from the correction of a mistake).

The current tax assets and current tax liabilities are set off only in case if:

- a) It has a legally fixed right to set off the recognized amounts,
- b) Intends either to realize the net calculation (to repay the asset or liability) or to realize the asset and to repay the liability simultaneously.

The company sets off the postponed tax asset and the postponed tax liability only in case if:

- a) has a legally fixed right to set off tax assets against current tax liabilities,
- b) The postponed tax asset and postponed tax liability refer to the profit tax, which is charged by the same tax authority from the same tax payer.

3.3. Financial instruments

Recognition and measurement

The Company recognizes the financial asset or financial liability in the statement on its financial status in case when it becomes a contractual party of the instrument.

The financial asset or the financial liability “measured by the real value – by the profit or loss” is measured by its real value and all other financial assets and financial liabilities – by the real value, plus the expenses connected with the transaction directly attributable to the acquisition or issuance of that financial asset or financial liability.

After the initial recognition, the contributions in share instruments (shares) of other Companies, which do not give a significant influence, control or joint control to the Group towards those Companies, including the derivatives connected with such instruments, are measured by real value, except for the instruments which do not have a quoted market price in the active market, and the real value of which may not be reliably measured. Those are measured by initial value.

The investments kept until the repayment period, the provided and received borrowings, accounts receivable and accounts payable are measured by depreciation value, applying effective interest rate method.

Financial assets and financial liabilities “measured by real value - through profit or loss”, as well as financial assets available for sale (AFS) (except for share instruments, which do not have a quoted market price in the active market, and the real value of which may not be

reliably measured, as well as derivative instruments connected with such share instruments) are measured by the real value after the initial recognition. The profit or the loss from the change of the real value is recognized in the profit or loss, except for the below mentioned:

The profit or loss from the change of the real value of the AFS financial assets are recognized in the consolidated financial result, except for the part attributed to the hedged risk, exchange rate differences, interest calculated by the method of effective interest rate and dividends declared for share instruments, which are recognized in the profit or loss. During the deidentification and depreciation of the AFS financial asset, the profits or losses recognized previously in another financial result and accumulated in the equity capital are taken out from the equity capital as a verification of reclassification and are recognized in the profit or loss.

Depreciation of financial assets

At the end of each reporting period, the Company evaluates whether there is any objective evidence that the financial asset or the group of financial assets is depreciated. If there is any such evidence, the Company decides the amount of the loss from depreciation.

The objective evidence of depreciation of financial asset or the group of financial assets includes the observable data on the following cases of loss known to the holder of the asset:

- a) significant financial difficulties of the issuer or borrower (pledgee);
- b) breach of the contract, for example the non-payment or payment delay of interests or principal sum.
- c) Provision of concessions by the lender to the borrower by economic or legal causes connected with the financial difficulties of the borrower, which the lender would not have otherwise foreseen;
- d) The possible bankruptcy of the borrower or other financial reorganization;
- e) Elimination of the market active for the financial asset because of financial difficulties or
- f) Observable data proving that for financial assets, after their initial recognition, there is a measurable decrease of evaluated future cash flows, though it is not yet possible to determine that decrease for a separate group of financial assets, including:

1) Negative changes in the status of payments of borrowers in the group (for example: increase of the number of payment delays or increase of the number of borrowers by credit cards, which have reached their debt limit and make minimum monthly payment) or

2) national or local economic conditions, which are in correlations with failures in the assets of the group (for example raising of the level of unemployment in the geographic area of borrowers, reduction of the prices of mortgage real estate, oil price reduction in case of assets for borrowings provided to oil producers, or negative changes of the conditions of industrial branch, which have an influence on the borrowers of the group).

Downward revision of the debt rating of the group, as such, is not an evidence of depreciation, though it may constitute an evidence of depreciation, observing together with other available information. The reduction of the real value of financial asset from its initial value or lower than the amortized value, is not necessarily an evidence of depreciation (for example the reduction of the real value of contribution in the debt instrument, which is a result of increase of risk free interest rate).

In case of a presence of objective evidence of depreciation, the amount of the loss from depreciation is measured as a difference between the balance sheet value and the current value of assessed future cash flows (excluding future debt losses, which have not yet occurred), with the initial effective interest rate of the discounted financial asset (that is with the effective interest rate calculated during the initial recognition). In case of instruments not having initial effective interest rate, the discount is made with the compensation rate of active market for similar financial asset. The loss from depreciation is calculated in the profit or loss, reducing the balance sheet value of the asset, using a regulating account.

If the conditions of the contribution kept until the repayment term of a borrowing, loan, accounts receivable are being reviewed in the result of negotiations or are otherwise changed because of the financial difficulties of the borrower or issuer, the depreciation shall be measured using the initial effective interest rate before the change of conditions. The cash flows connected with short term accounts receivable are not discounted, if the impact of the discount is not essential.

As discount rate for the purpose of measuring the loss from depreciation of the borrowing with variable interest rate, accounts receivable or investment kept until the repayment term, is used the current effective interest rate defined according to the contract.

If there is an observable market price for the financial asset registered by the depreciated value, the loss from the depreciation of that asset may be measured based on the real value defined by that observable market price.

For the purpose of measuring the loss from the depreciation in relation to the financial asset secured by pledge are taken into consideration the cash flows which may arise from the realization of the object of pledge, excluding the costs of receiving and selling the pledge, notwithstanding whether the confiscation of the object of pledge is probable or no.

For the purpose of collective assessment of depreciation, the financial assets are grouped, based on the similar characteristics of debt risk, which show the ability of the borrowers to pay all amounts payable according to the terms of the contract (for example: based on the evaluation of debt risk or on the process of classification, which takes into consideration the type of the asset, the branch of industry, geographic location, type of pledge, status of overdue and other related factors). The chosen characteristics shall be in place for the evaluation of future cash flows for such asset groups in the sense that they show the ability of the borrowers to pay all amounts payable according to the terms of the contract. However, the probabilities of losses and in the level of other statistical indices of the group related to the loss differ between the below mentioned: (a) of those assets, the depreciation of which has been separately evaluated and it was found out that they are not depreciated and (b) of those assets the depreciation of which has not been separately evaluated. In the result of such difference, another amount of depreciation may be required. If the Company has not a group of assets with similar risk characteristics, it does not realize additional evaluation.

In case of an absence or insufficiency of personal experience on the previous losses, the experience of groups comparable with the financial assets of similar Companies is used. The previous experience of losses is verified based on the current observable data, to reflect the impact of such terms which have not affected the period, on which is based the previous experience of losses and to exclude the terms of previous period, which do not currently exist. The valuations of the future cash flow changes reflect and are consistent in their

resentation with the changes of related observable data, from period to period (such as the change of the level of unemployment, prices of real estate, prices of products, payment status or other factors, which show the losses of the group and their size). The methodology and the presumptions used for the purpose of the evaluation of future cash flows are regularly reviewed in order to reduce any changes between the valuations of losses and the factual experience of loss.

Derecognition of assets and liabilities

The group derecognizes the financial asset in case if:

- a) The contractual rights towards cash flows arising from financial asset lose their force (the validity period is expired) or
- b) It transfers the financial asset, and the transfer is qualified as satisfying the conditions of derecognition in accordance with the following:

The group transfers the financial asset only in case if:

- a) it transfers the contractual rights of receiving cash flows from financial asset or
- b) maintains the contractual rights of receiving cash flows from financial asset, but undertakes the contractual liability of paying those cash flows to one or more recipients (end recipients), according to the agreement which complies with the following three conditions:
 - b1) The group does not have a liability to pay amounts to end recipients, if it does not collect equivalent amounts from the initial asset. The short term advance payments given with the right of receiving back the principal amount and the whole accrued interest by market interest rate do not violate this condition.
 - b2) by the terms of the transfer contract, the group is prohibited to sell or to pledge the initial asset, except for the pledge with the end recipients, as a security against their liability to pay the cash flows.
 - b3) On behalf of the end recipients, the group is obliged to transfer without delay any cash flows collected by it. Moreover, the group is not entitled to reinvest such cash flows, except for the investments in the monetary means and their equivalents, which are made during the short period of final settlement, which is between the collection date and the date of

transfer required by end recipients and when the interests gained from such investments are transferred to end recipients.

The group derecognizes the transferred financial asset, if:

- a) all the risks and compensations in essence connected with the ownership of the financial asset have been transferred or
- b) all the risks and compensations in essence connected with the ownership of the financial asset have neither been transferred, nor kept, but the group has not maintained the control over the financial asset.

Any right and responsibility arisen or maintained during the transfer are recognized separately as an asset or liability.

If the group neither transfers, nor maintains all the risks and compensations in essence connected with the ownership of the financial asset, but has maintained the control over the financial asset, it continues to recognize the financial asset proportionate to its continuing involvement.

The financial liability (or a part of financial liability) is derecognized only in case if it is repaid, that is when the liability established by the contract is fulfilled or cancelled or the validity period is expired.

The exchange of debt instruments with significantly varying conditions between the existing borrower and the lender is taken into consideration as a repayment of the initial financial liability and recognition of a new financial liability. Similarly, the significant transformation of conditions of the existing financial liability (asset) or its part (notwithstanding the fact whether it is attributable to the financial difficulties of the borrower, is registered as repayment of initial financial liability (asset) and recognition of new financial liability (asset)).

The difference between the balance sheet value and paid or received compensation (including any transferred non-assets or undertaken liabilities) of repaid or transferred to another party financial liability or asset (or a part of financial asset or liability) is recognized in the profit or loss.

Lease

Lease is classified as financial lease, when all the risks and gains in essence connected with the ownership by lease conditions are transferred to the tenant. All other leases are classified as operational lease.

The assets kept under financial lease are initially recognized as assets of the Group, with their real value by the date of the beginning of the lease or with the current value of the minimum rental fees, if the latter is lower. The corresponding liability towards the Lessor is included in the statement on the financial status as a liability for financial lease.

Rental fees are distributed between the financial costs and the reduction of liability for lease so that there is a fixed regular interest rate towards the non-repaid balance of the liability. Financial costs are immediately recognized in the profit or loss, except when they are directly attributable to the qualified assets, in case of which they are capitalized in accordance with the general policy of the Group for the expenditures of the borrowing. Conditional rental fees are recognized as expenditure in the period when they arise.

The payments for operational lease are recognized by linear principle as expenditure during the lease period, except when another systematic principle better represents the time schedule for the consumption of economic gains of the leased asset. Conditional rental fees arising under the operational lease are recognized as expenditure in the period when they arise.

In case when encouraging conditions are received for the conclusion of lease contract, those encouraging fees are recognized as a liability. The whole gains from encouraging conditions are recognized as a reduction of lease expenditure by linear principle, except when another systematic principle better represents the time schedule for the consumption of economic gains.

3.5. Transactions with foreign currency and the approach of recognizing exchange rate differences

While preparing financial statements, the transactions realized with a different from the operational currency, the realized transactions are registered by the date of the transaction with the exchange rate published by the RA CB. By the date of each reporting date, the foreign exchange monetary articles are recalculated, applying the exchange rate published

the RA CB by the reporting date. Non monetary articles, the initial value of which is calculated by foreign exchange, are not recalculated.

Exchange rate differences, which arise in the result of repayment of monetary articles or when their monetary articles are recalculated with an exchange rate, which is different from the exchange rate of recalculation in their initial recognition or previous financial statements in that reporting period, are recognized in the profit or loss in the period when they have arisen.

3.6. Monetary assets and their equivalents

Monetary assets and their equivalents include cash money, settlements accounts opened in banks, short term bank deposits until three months repayment period.

3.7. Fixed assets

The initial value of fixed asset unit is recognized as asset only in case when it is possible that future economic gains connected with that unit will flow to the Group and the initial value of the unit may be reliably measured.

After being recognized as asset, the fixed asset unit is registered by initial value (cost price), minus the accumulated depreciation and the losses from the accumulated depreciation. The initial value includes the purchase price, including import duties and non compensated taxes, minus commercial discounts and privileges, and any expenditures directly connected with delivering the asset to the corresponding place and to bring it to a working condition for using it for the purposes predetermined by the management. The recognition of expenditures in the balance sheet value of the fixed asset unit is terminated, when the unit is in a place and condition, that it is necessary that it is possible to use it for the purposes predetermined by the management.

The initial value includes professional fees, and in case of a qualified asset, also the expenditures of the borrowing subject to capitalization. The depreciation of these assets is also calculated when they become ready to be used for their aim of significance.

The profit or loss arisen in the result of alienation or writing off of the fixed asset unit is defined as a difference of the net inputs (if present) from the realization of asset and the

balance sheet value. The profit or loss arising from derecognition of the fixed asset unit is included in the profit or loss, when the unit is derecognized.³

The expenditures for the replacement of the component of the separately registered unit of the fixed asset is recognized in the balance sheet value, when those expenditures are made and when they meet the recognition standards. The balance sheet value of those replaced parts is derecognized. All other expenditures, including the expenditures of maintenance and repair, are recognized in the period of making profit or loss.

The amount of depreciation of the period is recognized in the profit or loss, applying linear method of calculation during the term of the assessed useful service of the fixed asset. In some cases, when the future economic profits materialized in the asset are absorbed during the production of another asset, the amount of depreciation forms a part of that asset and is included in its balance sheet. The depreciation of the asset starts to be calculated when it is available for usage, that is, when it is in such a place and in such a condition, which is necessary for using it for the purpose predetermined by the management.

The calculation of the depreciation of the asset terminates in accordance with the IFRS 5, to be classified as kept for selling or to be involved in the alienation group classified as kept for selling and by the earliest from the dates of derecognizing the asset. The dates of the assessed useful service of the fixed assets are presented below:

Equipment	1-5 years
Property and office equipment	1-10 years
Transport means	5-10 years

3.8. Intangible assets

Intangible asset is recognized only in case, when it is possible that the expected future economic gains attributable to the asset will flow to the group and the value of the asset may be reliably measured.

Intangible assets, which have been acquired by the Group and have a certain term of useful service, are presented by the initial value, excluding the accumulated amortization and the losses from depreciation.

Intangible assets with uncertain useful service are not amortized, they are measured by cost price, minus the losses from accumulated depreciation.

Amortization is recognized in the profit or loss, applying the linear method of calculation during the assessed term of the useful service of the intangible asset. The terms of the assessed useful service of the intangible assets are presented below:

Computer programs	1-10 years
Licenses and patents	1-10 years

3.9. Reimbursements to employees

The reimbursements to employees include:

- a) the salary
- b) short term reimbursable absences, such as paid annual leave and temporary disability benefit,
- c) bonuses

The amount of reimbursements to employees, which is expected to pay during the reporting period, against the service rendered by the employees, is recognized a) as a liability (accrued expense), after deducting the amounts paid and b) as an expense, except when the inclusion of those reimbursements in the cost price (initial value) of any asset is required or permitted by any standard. If the already paid amount exceeds the amount of reimbursements, the Group recognizes that reimbursement as an asset (preliminary paid expense) to the extent the advance payment will bring, for example, to the reduction of future payments or return of monetary means.

The Group recognizes the expenditures expected for short term reimbursements of employees in the manner of accumulated absences (such as the paid annual leave), when the employees render a service which adds their right of future reimbursable absences. The expenditures expected for the accumulated reimbursable absences are measured by the additional amount which the Group expects to pay as a result of accumulated unused rights by the end of the reporting period.

The Group recognizes the expected expenditures for bonuses when

- a) it has a current legal or structural liability to make such payments as a result of previous cases and
- b) the liability may be reliably evaluated. Current liability exists only in case when the Group does not have any realistic possibility to avoid the fulfillment of the liability.

3.10. *Reserves*

The reserve is recognized when the Group has a current liability (legal or structural) as a result of previous cases, and it is possible that for the repayment of that liability will be required cash flow materializing economic gains, the amount of the liability is possible to assess reliably. If the impact of the value of money is essential within the time, the amount of the reserve is the current value of expenditures, which are expected to be required for the repayment of that liability.

The rate of the discount is the rate, without taking into consideration the taxation impact, which reflects current market valuations of the risks specific to that liability. The discount rate will not reflect the risks for which the assessments of future cash flows have already been verified.

By the end of each reporting period the reserves are reviewed and verified to reflect current best valuation. If it is no more probable that outflow of assets materializing economic gains will be required for the repayment of the liability, the reserve is reversed. The reserve is used only against such expenditures for which that reserve was initially recognized.

3.11. *Offsetting*

Financial assets and liabilities, incomes and expenses are set off and the net amount is reflected in the statement on the financial status, if there is a legally approved right of setting off recognized amounts and there is an intention of offsetting or realizing the asset and simultaneously repaying the liability.

3.12. *Depreciation of fixed assets and intangible assets*

The assets having an indefinite term for useful service are not amortized and are annually subjected to depreciation checks. The depreciating assets are reviewed for depreciation, when the events and the changes of circumstances evidence that their balance sheet value may be non-recoverable. The depreciation loss is recognized with the amount by which the balance sheet value of the asset exceeds the compensated amount.

The compensated amount is the maximum of the value of the "real value minus the sale expenditures" and the usage value. If the compensated amount of the asset or cash-

generating unit is less than its balance sheet value, then the balance sheet value of the asset or cash-generating unit is reduced up to the compensated amount. The loss from the depreciation for the non reevaluated asset is recognized in the profit or loss.

When the loss from depreciation is further reversed, then the balance sheet value of the asset or cash-generating unit is increased up to its compensated amount, but so that the balance sheet value of the asset does not exceed the balance sheet value which would have been determined if there would not have been recognized losses from depreciation of that asset or cash-generating unit during the previous years. The reversing of the loss from depreciation is immediately recognized in the profit or loss.

4. Accounting estimates and judgments

The preparation of consolidated financial statements requires from the Group to make estimates and judgments which have an impact on the application of accounting policy, as well as on the amounts of the assets, liabilities and conditional liabilities by the end of the reporting period and on the size of the incomes and expenditures of the reporting period. The estimates and judgments are continuously assessed and are based on the experience of the management and on other factors, including the expectations of future events, which are reasonable in certain conditions. However, the uncertainty on the judgments and estimates may bring to such consequences, which will further require essential changes of the balance sheet values of assets and liabilities.

4.1. Transactions with related parties

During its regular activity, the Group realizes transactions with related Parties. The Group applies professional judgment to reveal related parties. For the realization of the estimates, the Group regularly follows the control of the shareholders and the significant participation in the capitals of other companies, as well as analyses the volumes of the transaction with each partner

4.2. The depreciation of assets and registration of reserves

For each reporting period, the Group assesses whether there are criteria for a possible depreciation of assets (that is of being less than the compensated amount). The compensated amount is the maximum of the usage cost and the asset's "Real value,

minus sale expenditures". In case of availability of such criteria, a calculation of the loss from factual depreciation is carried out. The balance sheet value of the depreciated assets is reduced up to the compensated amount. The balance sheet amount of depreciated assets is reduced up to the compensated amount. The reduction is recognized in the profit or loss in the period, in which the reduction occurred. If the conditions are changed and the management decides that the value of assets has increased, the previously recognized depreciation is fully or partially reversed.

The depreciation of other intangible assets with goodwill and uncertain usage service is checked at the end of each year, notwithstanding the presence of independent possible depreciation criteria.

The reserve for the depreciation of accounts receivable is based on the estimate of the management for the collectibility of debt for each customer. If there is a reduction of creditworthiness, or the factual overdue amounts are more than the forecasts, the real accounts receivable may be different from those estimates.

4.3. Term of useful service of fixed asset

The estimate of the term of useful service of fixed assets is a result of judgment, based on the experience connected with such an asset. The future economic gains materialized in the assets are mainly consumed parallel with the usage. However, such factors which are the economic, physical or technological depreciation often bring to the reduction of economic gains of the asset. The management assesses the term of useful residual service in accordance with the technical condition of the asset and the assessed period, during which the Group foresees to receive gains. The following main factors are taken into consideration: the foreseen usage of assets, depreciation depending on operational factors and plans of maintenance and service, and technical and commercial depreciation arising from the change of market conditions.

5. New or changed IFRSs

5.1. Application of new or changed standards and interpretations

Some new standards or changes of standards entered into force from January 01, 2016, which were either non applicable or had no influence on the Group. Among them are:

"Presentation of financial statements" in IAS 1 the changes comprise some guidelines connected with the determination of essence.

In changes in IAS 16 and IAS 38, connected with the acceptable methods of depreciation and amortization. The changes related to IAS 16 prohibit the companies to apply depreciation based on the revenue. The changes related to IAS 38 include deniable presumption that the revenue is not a proper basis for the calculation of amortization. The mentioned presumption may be denied only by one of the following two circumstances.

- a) when intangible asset is a unit of measuring the revenue or
- b) when there is a high correlation between the economic gains arising from the revenue and intangible asset.

5.2. Published but not yet enforced IFRSs

Published but not yet entered into force standards before the publication of financial statements by the Group are listed below. This is the list of the published standards and interpretation, which, by the projections of the Group, will be used by it in future. The Group intends to adopt them when those standards will enter into force.

- "Financial instruments" IFRS 9 (was published in July, 2014) is subject to mandatory application from January 1, 2018 or for annual periods starting after it, and premature application is permissible. The standard is applied retrospectively, but it is permissible not to reproduce the comparative information for the previous period. The standard introduces new requirements for the classification and measurement of financial assets,
- which replace the requirements, involved in "Financial instruments; Recognition and measurement" IFRS 39.
- "Revenue from the contracts with Buyers" IFRS 5 (was published in May, 2014) is subject to mandatory application from January 1, 2018 or for annual periods starting after it, and premature application is permissible. The standard replaces the following standards and interpretations:
 - "Construction contracts" IFRS 11,
 - "Revenue" IFRS 18,
 - "Customers devotion programs" IFRIC 13,
 - "Real estate construction programs" IFRIC 15,

- "Transfer of assets by customers" IFRIC 18,
- "Revenue, barter transactions, which include advertising services" SIC 31.
- "Lease" IFRS 16 (was published in January 2016) is subject to mandatory application from January 1, 2018 or for annual periods starting after it, and premature application is permissible. The standard establishes principles for the recognition, measurement, disclosure and presentation of leases. Among other new requirements, the standard requires that all leases (with some minor exceptions) are recognized in the statements on the financial status of the tenant. The standard replaces the following standards and interpretations:
 - "Lease" IAS 17,
 - "Determination of the presence of lease in agreements" IFRIC 4,
 - "Operational lease, encouraging conditions" SIC 15,
 - "Evaluation of the content of transactions including legal form of lease" SIC 27.

The Group does not yet have an accurate estimate of what influence will have the application of these standards on the financial statements of the Group during the period of first time application.

- "Annual improvements of IFRSs; 2014-2016 cycle" (was published in December, 2016) is subject to mandatory application from January 1, 2018 or for annual periods starting after it. Changes have been made in the following standards:
 - "First time adoption of International Financial Reporting Standards" IFRS 1,
 - "Disclosure of participation in other organizations" IFRS 12,
 - "Investments in associated organizations and Joint Ventures" IAS 28.

The Group does not expect that these changes will have impact on its financial statements.

- "Foreign currency transactions and advance payment compensations" IRFIC 22 interpretation (was published in December, 2016) is subject to mandatory application from January 1, 2018 or for annual periods starting after it. It is clarified by the interpretation that when the company pays or receives advance payment with foreign currency before the recognition of the corresponding asset, income or expense, then, further, for the purpose of determination of the exchange rate subject to be used during the initial recognition of that asset, income or expense, the date of the transaction is

considered the date, when the organization initially recognizes the non cash asset arising from the payment or receipt of advance payment compensation or the non cash liability.

The Group does not expect that this interpretation will have impact on its financial statements.

- “Disclosure initiation” (Changes in IAS 7) (was published in January, 2016) is subject to mandatory application from January 1, 2017 or for annual periods starting after it. It is required by the changes to provide disclosures, which will provide the possibility to understand the changes of liabilities arising from funding activity (both the ones arising from cash flows, and the non-cash changes).

The Group does not expect that these changes will have impact on its financial statements.

- “Insurance contracts” IFRS 17 (was published in May, 2017) is subject to mandatory application from January 1, 2021 or for annual periods starting after it, and premature application is permissible, with the condition that simultaneously are applied “Financial instruments” IFRS 9 and “Revenue from the contracts with buyers” IFRS 15. The standard establishes recognition, measurement, disclosure and presentation principles for the insurance contracts in its field of activity. The standard replaces the following “Insurance contracts” IFRS 17.

The Group does not expect that these changes will have impact on its financial statements.

- “Uncertainty towards approaches in relation to profit tax” IFRIC 22 interpretation (was published in June, 2017) is subject to mandatory application from January 1, 2019 or for annual periods starting after it. Premature application is permissible.

It is clarified by the interpretation how shall be applied the recognition and measurement rules of “Profit tax” IAS 12, when there is an uncertainty towards the approaches in relation to profit tax.

The Group does not expect that this interpretation will have impact on its financial statements.

Fixed assets

Thousand AMD	Equipment	Property and office equipment	Transport means	Total
Value				
Balance as of 01.01.2015	510,969	35,133	13,510	559,612
Procurement	117,448	17,521	-	134,969
Alienation	(25,820)	(2,175)	-	(27,995)
Balance as of 31.12.2015	602,597	50,479	13,510	666,586
Balance as of 01.01.2016	602,597	50,479	13,510	666,586
Interclass reclassification	33	(33)	-	-
Procurement	41,940	5,078	7,503	54,521
Alienation	(39,820)	(122)	-	(39,942)
Balance as of 31.12.2016	604,750	55,402	21,013	681,165
Depreciation				
Balance as of 01.01.2015	251,247	17,428	8,205	276,880
Annual depreciation	91,383	8,636	1,508	101,527
Alienation	(10,142)	(1,837)	-	(11,979)
Balance as of 31.12.2015	332,488	24,227	9,713	366,428
Balance as of 01.01.2016	332,488	24,227	9,713	366,428
Interclass reclassification	1,740	(1,470)	(270)	-
Annual depreciation	90,233	9,546	1,956	101,735
Alienation	(36,832)	(103)	-	(36,935)
Balance as of 31.12.2016	387,629	32,200	11,399	431,228
Balance sheet value				
As of 31.12.2015	270,109	26,252	3,797	300,158
As of 31.12.2016	217,121	23,202	9,614	249,937

Fully depreciated assets

By December 31, 2016, the gross balance sheet value of 1,396 names of fixed assets with zero balance sheet value forms 190,206 thousand AMD (by 31.12.2015 – 1,178 names: with 173,730 thousand AMD gross balance sheet value).

Restrictions of fixed assets

By December 31, 2016, the balance sheet value of pledged equipment as a means of security against the loans involved by the Group (See Annotation 14) formed 28,656 thousand AMD (by 31.12.2015 – 55,594 thousand AMD).

Intangible assets

Thousand AMD	Computer programs	Licenses	Total
Value			
Balance as of 01.01.2015	58,424	2,605	61,029
Procurement	35,906	500	36,406
Alienation	(250)	(2,038)	(2,288)
Balance as of 31.12.2015	94,080	1,067	95,147
Balance as of 01.01.2016	94,080	1,067	95,147
Procurement	42,034	500	42,534
Alienation	-	(1,067)	(1,067)
Balance as of 31.12.2016	136,114	500	136,614
Amortization			
Balance as of 01.01.2015	19,501	1,773	21,274
Annual amortization	12,340	706	13,046
Alienation	(250)	(2,038)	(2,288)
Balance as of 31.12.2015	31,591	441	32,032
Balance as of 01.01.2016	31,591	441	32,032
Annual depreciation and depreciation	45,619	956	46,575
Alienation	-	(897)	(897)
Balance as of 31.12.2016	77,210	500	77,710
Balance sheet value			
As of 31.12.2015	62,489	626	63,115
As of 31.12.2016	58,904	-	58,904

By December 31, 2015, a program with the gross balance sheet amount of 29,575 thousand AMD was included in the list of intangible assets, which was procured by subsidiary company of the Group "Mega Pantera" Co. Ltd, within the frameworks of the contract concluded with the RA Ministry of Culture, with the aim to implement a joint project of electronic ticket office. After the procurement of the mentioned intangible asset, conditioned with the change of circumstances, it's already 2 years and more that the initial plans of the Group connected with that asset are not realized, by the date of signature of the present financial statements, there is not yet a certainty on the future usage of that asset. Taking that fact into consideration, the Group has depreciated the intangible asset by 31.12.2016, recognizing the losses from depreciation in the profit or loss, which is included in the lost of other expenses (Annotation 22).

8. Goodwill

Thousand AMD	31.12.2016	31.12.2015
"Mega Pantera" LLC share procurement goodwill	1,077,950	1,077,950
"Tel-Cell" LLC share procurement goodwill	79,750	79,750
Total	1,157,700	1,157,700

During 2016, the Group has evaluated the compensated value of goodwill and has not detected goodwill depreciation (in 2015 also depreciation was not detected).

9. Reserves

Thousand AMD	31.12.2016	21.12.2015
Spare parts for terminals	52,239	37,978
Fuel	881	1,204
Other	9,046	6,399
Total	62,166	45,581

10. Commercial and other accounts receivable and advance payments

Thousand AMD	31.12.2016	21.12.2015
Accounts receivable in relation to realizations	178,743	241,815
Accounts receivable in relation to budget	2,973	4,176
Accounts receivable in relation to accountable persons	-	331
Given advance payments	71,073	396,767
Other accounts receivable	10,638	12,111
Reserve in relation to doubtful debts	(5,322)	(27,629)
Total	258,105	627,571

Advance payment of 365,420 AMD is included in the advance payments by 31.12.2015, which is given to the shareholder of the Company Tatevik Avetisyan, for the redemption of the shares belonging to her. The price of the redemption of shares initially formed 1,210,000 thousand (22.5% of the shares) AMD, against which was set off the borrowing given to the shareholder previously, with the amount of 1,166,132 thousand AMD. From the moment of giving the advance payment, but the Company has renegotiated the terms of the sale of shares, in the result of which only 7.5% shares are to be redeemed and, correspondingly, the 644,122 thousand AMD was returned to the Company and 156,600 thousand AMD was set off against the declared dividends. During 2016, Tatevik Avetisyan has sold her shares not to the

Company, but to the parent company of the Company, and has repaid the whole received advance payment of 264,170 thousand AMD by bank transfer and the remaining 101,250 thousand AMD by offsetting against dividend.

The subjection of the Group to debt and currency risks connected with commercial accounts receivable is disclosed in Annotation 25.

11. Monetary means and non-cash transactions

11.1. Monetary means

Thousand AMD	31.12.2016	31.12.2015
Cash register in AMD and in foreign currency	12,517	23,527
Bank accounts in AMD	392,011	403,619
Bank accounts in foreign currency	190,031	25,014
Monetary means in personal terminals	287,423	288,120
Monetary means in the terminals of agents	164,416	143,573
Monetary means on the way	600,200	547,238
Total monetary means	1,646,598	1,431,091

Monetary means on the way is the amounts encashed by bill collectors who are employees of the Company, by other collecting organizations and agents from terminals and deposited to bank accounts, but not yet registered by banks.

By December 31, 2016, the monetary means circulated in the settlement accounts of the Company were pledged in "Ardshinbank" CJSC as a means of security against the loans involved by the Group (see Annotation 14).

The subjection of the Group to the debt and currency risks connected with monetary means is disclosed in Annotation 25.

11.2. Non-monetary transactions

Thousand AMD	2016	2015
Non cash transactions, connected with investment and financing activity		
Offsetting of provided borrowing with the amount receivable against the redemption of shares	-	1,166,132
Offsetting of advance payment subject to be returned by the shareholder against the liabilities for declared dividends (Annotation 9)	101,250	156,600

2. Chartered capital

By December 31, the chartered capital formed 150,000 AMD, which is divided into 150,000 ordinary (nominal) shares with the nominal value of 1,000 AMD. No capital change was registered in the reporting year. All shares of the Company are allocated and fully paid.

13. Reserve capital

By December 31, 2016, the reserve capital of the Company formed 35,000 AMD. No change of reserve capital was registered in the reporting year. Reserve capital is foreseen to cover the losses of the Company, as well as to repay the bonds and to redeem the shares, if the profit and other assets of the Company are not enough.

14. Loans and borrowings

Thousand AMD	Annual interest, %		Loan liability (borrowing) balance, as of December 31	
	2016	2015	2016	2015
Long term bank loans				
“Ardshinbank” CJSC	11%	11%	39,334	499,401
“SME investments” UCO CJSC	11%	11%	17,777	44,441
Short term part of long term loans				
“Ardshinbank” CJSC	11%	11%	461,166	463,011
“SME investments” UCO CJSC	11%	11%	26,895	27,030
Borrowings				
Borrowings received from shareholders	10%	10%	47,130	46,754
Total			592,302	1,080,637

The contract concluded with “SME investments” UCO CJSC foresees that the involved credit means shall be exclusively directed to the procurement of fixed assets, and the non-fulfillment of this requirement leads to immediate return of the loan.

The analysis of the terms of the repayment of loans and borrowings by 31.12.2016 is presented below:

Thousand AMD			
Up to 30 days	30-180 days	180-365 days	More than 1 year
42,036	203,264	289,891	57,111

The subjection of the Group to currency risk connected with bank loans is disclosed in Annotation 25.

Loan security

Against the loans involved by the Group by December 31, 2016, the Group has pledged some of its assets, the balance sheet values of which are presented below.

Thousand AMD	31.12.2016	31.12.2015
Terminals (Annotation 6)	28,565	55,594

Against the loans involved by the Group by December 31, 2016, are pledged also the monetary means circulated in the settlement accounts of the Company, as well as the 100% participation right (shares) of the shareholders in the chartered capital of the Company.

The mentioned loans are secured also with the following guarantees received by the Group:

- The loans received from "SME Investments" UCO CJSC is secured with the guarantee of the shareholder of the Company Tatevik Avetisyan.
- The loan received from "Ardshinbank" CJSC is secured with the guarantee of all the shareholders of the Company.

The 91,607 thousand AMD (in 2015 – 146,582 thousand AMD) financial expenses during 2016 are the interest expenses accrued for the loans and borrowings.

15. Other non-current liabilities

The amounts presented in the present article are the guarantee amounts paid for the proper fulfillment of liabilities by the Group Agents, which are kept by the Group throughout the whole validity period of Agency Contracts.

16. Commercial and other accounts payable

Thousand AMD	31.12.2016	31.12.2015
In relation to purchases	90,513	61,852
In relation to payment and settlement operations	1,923,819	1,726,763
Received advance payments	63,953	21,619
Tax liabilities in relation to taxes and mandatory payments	9,623	16,933
Other accounts payable	11,423	515
Total	2,099,331	1,827,682

By 31.12.2016, the 2,014,332 thousand AMD from the commercial and other accounts payable of the Group (by 31.12.2015 – 1,788,615 thousand AMD) is subject to repayment within 30 days.

7. Revenue

Thousand AMD	2016	2015
From payment and settlement service rendering	2,171,298	2,114,262
Other	107,967	146,018
Other	2,279,265	2,260,280

18. Cost price of rendered services

Thousand AMD	2016	2015
Commission of agents	518,132	497,067
Collection costs	69,474	78,167
Terminal placement fees	272,709	251,892
Depreciation of fixed assets	93,216	75,470
Salary	266,635	236,769
Material costs	46,591	411,775
Other	68,302	41,633
Total	1,335,059	1,222,773

19. Realization costs

Thousand AMD	2016	2015
Salary	63,093	41,287
Marketing and advertisement costs	70,471	72,346
Transport expenses	3,891	2,104
Other	1,952	3,058
Total	139,407	118,795

20. Administrative costs

Thousand AMD	2016	2015
Salary	136,499	106,223
Remuneration to the Board of Directors	37,500	21,000
Depreciation of fixed assets and amortization of intangible assets	28,679	34,147
Business trip and representation costs	8,167	6,650
Post office and telecommunication expenses	12,780	19,359
Office and utility expenses	73,419	72,574
Audit and consultation	5,326	12,581
Bank expenses	22,603	16,639
Non-refundable taxes	8,808	2,589
Other	6,923	9,657
Total	340,704	301,419

21. Other incomes

Thousand AMD	2016	2015
Income from the sale of reserves	4,530	2,200
Gains from the sale of fixed assets	1,360	8,004
Income from the purchase and sale of foreign exchange	171,457	203,450
Other incomes	32,247	24,788
Total	209,594	238,442

22. Other expenses

Thousand AMD	2016	2015
Expenses from writing off accounts receivable	1,280	27,629
Depreciation of intangible asset	23,671	-
Expenses from foreign currency exchange	8,103	11,746
Cash deficit	7,532	7,303
Depreciation and amortization	3,725	5,431
Fines and penalties	601	1,888
Other	17,598	13,291
Total	62,510	67,288

23. Income (expense) from Profit tax

Thousand AMD	2016	2015
Expense in relation to current tax	135,422	139,756
Expense (income) in relation to postponed tax, connected with the occurrence and repayment of temporary differences	(15,026)	(10,414)
	120,396	129,342

The rate of the applied tax of the Group is 20% (2015-20%).

Confirmation of the actual (active) interest rate of the profit tax:

Thousand AMD	2016	%	2015	%
Profit before tax	534,943		608,994	
Profit tax with the applied rate of tax	106,989	20.00	121,799	20.00
Net non-reducible expenses (non-taxable incomes)	13,408	2.50	7,543	1.24
	120,396	22.50	129,342	21.24

24. Transactions with related parties

According to IAS 24: "Disclosure of related parties", the parties are considered related, if any of the parties may control the other or have significant influence on the other, while making financial and operational decisions. In relation to presented statements, related parties are its shareholders, members of the Board of Directors, as well as persons related with them.

The parent company of the Company is "RENOMAX LTD", the sole shareholder of which is Sotirios Pittas.

The transactions with the related parties of the Company and their balances are presented below:

	Transaction amount	Transaction amount	Non-repaid balance	Non-repaid balance
Thousand AMD	2016	2015	2016	2015
<i>With the shareholders of the Company</i>				
Receipt of borrowing	-	-	47,130	-
Repayment of received borrowing	(4,197)	(135,965)	-	-
Provided borrowing	-	1,300,000	-	-
Return of the provided borrowing	-	(133,868)	-	-
Offsetting of provided borrowing together with the amount subject to receipt against the redemption of shares	-	1,166,132	-	365,420
Return of advance payment given against the redemption of equity shares	(264,170)	(644,112)	-	-
Offsetting of advance payment subject to return against liabilities in relation to dividends	(101,250)	(156,600)	-	-
<i>With the members of the Board of Directors</i>				
Provision of borrowing	24,500	-	6,000	-
Repayment of provided borrowing	(18,500)	-	-	-
<i>With the General Director of the Company</i>				
Provision of borrowing	18,000	-	10,000	-
Repayment of provided borrowing	(8,000)	(6,900)	-	-
Received lease	600	600	45	91

The amount of the non-repaid borrowing received from shareholders as of December 31, 2016 is the balance of the borrowing received from the shareholder of the Company "RENOMAX LTD". As "RENOMAX LTD" has become a shareholder of the Company during 2016 (see Annotation 1), but the borrowing was provided in 2015, thus, during 2016, no transaction was carried out as such, and the non-repaid balance was transferred as a final balance of the borrowing.

The Group has received guarantees from shareholders against the security of the involved loans (see Annotation 14).

The compensations in relation to management staff are presented below:

Thousand AMD	2016	2015
To General Director		
Salary	18,129	16,846
Reward	722	2,000
To members of the Board of Directors		
Salary	36,000	21,000
Reward	1,500	-
Total compensations in relation to the management staff	56,351	39,846

25. Financial instruments and risks management

25.1. General overview

The activity of the Group is characterized by financial risks diversity, and that activity includes analysis, assessment, admission and management of a certain level of risk or risks group. Bearing a risk is an unavoidable result of financial activity. Nevertheless, the aim of the Group is to reach an appropriate balance between the risks and profits and to bring the undesirable impact on the financial status of the Group to minimum. Market, debt and realization risks are the main risks the Company is subjected to.

25.2. Risks management policy and procedures

The aim of the risks management policy of the Group is to disclose, to analyze and to manage the risks to which the Group is subjected, to establish the corresponding limits of risks and control mechanisms, as well as to control risks level and their compliance to the defined limits. Risks management policy and procedures are regularly reviewed to reflect the changes of market conditions, proposed interest rates and services and adopted best approach. Risks management of the Group is realized by the Management staff of the Company. The management assesses the financial risks, closely cooperating with the functional units of the Group, for the realization of functions directed to their relief.

25.3. Debt risk

Debt risk refers to the risk, that a party, by non-fulfillment of its contractual obligations, will inflict financial loss for the Group and mainly arises from accounts receivable and monetary means from the partners of the Group (businessmen, operators, etc.).

the maximum subjection to debt risk arising from financial instruments by the reporting date

	Balance sheet value	
	31.12.2016	31.12.2015
Commercial and other Accounts receivable (Annotation 9)	182,954	223,631
Provided borrowings	20,900	6,800
Monetary means (Annotation 11)	1,634,082	1,400,564
	1,837,936	1,637,995

The management of the group considers that the Group does not have a significant centralization of debt risk. The management of the Group limits its subjection to debt risk due to the preliminary analysis of the creditability and solvency of its partners and due to the application of debt limits.

25.4. Realizability risk

Realizability is the risk that the Group will have difficulties during the fulfillment of its financial liabilities, which will be repaid by providing monetary means or other financial asset. The approach of the Group connected with the management of realizability is to have sufficient realizable means for the timely fulfillment of its financial liabilities, both in normal and in tense conditions, without risking its reputation and without bearing unacceptable damages.

The Group manages the realizability risk, continuously monitoring foreseen and factual cash flows, as well as conforming the terms of repayment of financial assets and liabilities.

The terms of repayment of financial liabilities of the Group, according to acting contracts, by 31.12.2016 and 31.12.2015, are presented in Annotation 14 and Annotation 15.

25.5. Market risk

Market risk is the risk when the changes of market prices, such as the foreign exchange rates, interest rates, share prices, will have an influence on the profit or loss and values of financial instruments of the Group. The aim of market risk management is to keep the subjection to market risk in acceptable limits, simultaneously optimizing the compensation.

a) Interest risk

Changes of interest rates affect directly the borrowings and loans, changing their real value (instrument with a fixed interest rate) or their future cash flows (instrument with variable interest rate). The Management does not have a formal policy to decide the extent the Group will be subjected to variable and to fixed rates. However, in case of acquiring or providing new borrowings, the Management uses its judgment, to decide which will be more useful for the Group within the period expected before the repayment, the variable or the fixed interest rate?

The loans and borrowings involved by the Group by December 31, 2016 are by fixed interest rates, thus the Management of the Group considers the interest rate risk of cash outflows not essential (See Annotation 14).

b) Currency risk

By the reporting date and during the period of reporting period, the average exchange rates, taking as a basis the average exchange rates published by RA CB for each date, are presented below:

In AMD	Average annual exchange rates		Exchange rate of reporting date	
	2016	2015	31.12.2016	31.12.2015
1 EUR	531.90	530.82	512.20	528.69
1 USD	480.48	477.86	483.94	483.75
1 RUR	7.2	7.89	7.88	6.62

The net subjection of the Group to foreign exchange risk by the end of the reporting period is presented below:

Thousand AMD Financial asset (liability)	31.12.2016			31.12.2015		
	RUR	EUR	USD	RUR	EUR	USD
Monetary means	165,475	15,012	11,372	16,725	3,542	7,111
Commercial and other accounts receivable	4,740	-	307	7,016	-	387
Loans	-	-	(547,265)	-	-	(1,009,166)
Commercial accounts payable	-	(924)	(2,267)	(5,442)	(967)	(5,582)
Net foreign exchange subjection	170,215	14,088	(537,853)	18,299	2,575	(1,007,250)

The below table presents profit after tax index sensitivity in case of strengthening of foreign exchange rates acting by the reporting date. Foreign exchange rates weakening will bring to the contrary effect.

Thousand AMD	31.12.2016		31.12.2015	
	Impact on profit	On equity capital	Impact on profit	On equity capital
USD strengthening by 10%	(53,785)	(53,785)	(100,725)	(100,725)
EUR strengthening by 10%	1,409	1,409	258	258
RUR strengthening by 10%	17,022	17,022	1,830	1,830

25.6. Real value of financial instruments

The aim of assessing the real values is to receive approximately the amount which will be received from the sale of the asset in the ordinary transaction between the market participants or will be paid against the transfer of liabilities by the date of measurement. The real values of financial assets and financial liabilities are defined by means of discounting all cash inflows and outflows arising from them by corresponding market interest rates.

By the opinion of the Management, the balance sheet values of financial assets and financial liabilities recognized in the consolidated financial statements are approximately equal to their real values.

26. Capital management

The primary aim of the capital management of the Company is that the Company complies with the approved external requirements, and that the Company keeps high creditworthiness and high capital norms, to strengthen its activity and to bring the profit of shareholders to the maximum. The Company manages the structure of its capital, making verifications, which arise in the result of a change of economic conditions and risk nature.

The requirements towards the size of the capital of the Company are established and controlled by the RA CB. According to the requirements of the normative legal acts approved by the RA CB, the minimum size of the total capital of the Company shall form 100,000 AMD by December 31, 2016. The total capital is comprised of the main capital, which includes the chartered capital, the non-distributed profit, including the profit of the current year, the general reserve, from which are made the corresponding reductions established by the RA Central Bank. During the reporting period, the Company has met all the requirements related to the capital, established by the RA CB.

By December 31, 2016, the size of the total capital, calculated according to the requirements of the RA CB, is presented below:

Thousand AMD	31.12.2016
Main capital	410,000
Additional capita;	-
Total general capital	410,000

27. Conditional cases

27.1. Insurance

Insurance is comparatively new in the Republic of Armenia and is yet in development phase, and many insurance forms are not yet available. The Group is not fully insured as for the termination of its activity or significant reduction, possible liabilities towards third persons, connected with the property, nature protection or health damages in the result of possible incidents. As far as the Group has not acquired corresponding insurance protection, there is a risk that the damage of some assets or arising of some liabilities may have a significant negative impact on the activity and on the financial status of the Group.

27.2. Judicial cases

By 31.12.2016 and up to the moment of signing the present financial statements, there were no filed lawsuits against the Group.

From time to time the Group has participated and continues participating in judicial disputes, as a plaintiff. By the presumption of the Management of the Group, currently available judicial cases may not have a significant influence on the activity or financial status of the Group.

27.3. Tax uncertainties

Tax system in RA is yet distinguished by frequent legislative changes, official clarifications, which are sometimes uncertain, controversial or giving rise to misinterpretations. Tax authorities may check the tax accounts and declarations of the Company and are entitled to impose penalties and fines. For any period, after the three years following the year of presenting incorrect tax statement, no tax liabilities can arise, including fines and penalties.

mentioned circumstances may jeopardize significant tax risks. The Management of the Group is sure that has properly calculated its tax liabilities, based on the tax legislation of the Republic of Armenia, other legal acts regulating tax relations, on its interpretations. However, the interpretations of tax bodies may be different from the interpretations on the basis of which were prepared the present consolidated financial statements, and if the tax authorities may impose their interpretations, their impact may be significant.

27.4. Warranties and guarantees

By December 31, 2016, the Group does not have provided warranties.

During its operational activity, the Group regularly concludes contracts with banks for receiving bank guarantees. According to those contracts, the banks provide guarantee in favor of operators, against rendering services for receiving payments. By December 31, 2016, the Company has a valid bank guarantee contract with 240,000 AMD value.

27.5. Liabilities for operational lease

The Group as a Tenant

Operational leases refer to the lease of the Head Office, branches and cars. During 2016, the size of the minimum rental fees recognized as expense formed 64,473 thousand AMD (2015 – 77,742 AMD). There are no conditional rental fees.

28. Cases taking place after the reporting period

After the reporting period, before the publication of the present financial statements, the following cases and events took place:

- The Company has fully repaid all loan liabilities towards “Ardshinbank” CJSC reflected in the statement on its financial status, at the expense of interest borrowing involved with similar conditions from physical persons in January, 2017.
- By the Decision of the General Meeting of the Shareholders of the Company as of May 5, 2017, a Decision was made to hold an advertising lottery and during 2016, to establish a winning fund (fund) of holding advertising lottery at the expense of the net profit formulated in the result of the activity of the Company with the amount of 40,000 AMD.

- The Company has terminated the activity of 12 branches during 2016, with the justification that the closed branches did not provide the level of expected profitability. Besides, by the Decision of the Board of Directors of the Company as of December 13, 2016, a Decision was made to terminate the activity of 9 branches of the Company, with the same justification.

/signature and seal/

General Director

Aram Azatyan

/signature/

Chief Accountant

Artur Torosyan

Is true to the original

/signature and seal/

Translation of the text was made correctly and completely by KRISTINE KHEMCHYAN

On this day of September the nineteenth, two thousand and eighteen, I **ATOM HAYRAPETYAN**, the Notary Public of the "YEREVAN" Notary Territory of the Republic of Armenia, certify the authenticity of the translator's signature from Armenian into English. In accordance with the Article 68 of the Law "On the Notary of the Republic of Armenia" I certify that the document has been translated by the translator trusted by me, but not the facts stated in the document.

Registration N — 24856

State duty of 500 AMD and service fee of 500 AMD have been levied in accordance with the RA Laws "On State Duty" and "On Notary".

Notary Public (signature) (Official seal) A. HAYRAPETYAN

Parial act code: 545-20180919-67-3014665
Parial act password: 0JOGJ4



Քրկու հազար տասնութ թվականի սեպտեմբերի տասնինը

Ես, ՀՀ Երևան նոտարական տարածքի նոտար՝ ԱՏՈՍ ԳՐԻԳՈՐԻԻ ՀԱՅՐԱՊԵՏՅԱՆՍ, վավերացնում եմ տվյալ տեքստի հայերեն (եզվից անգլերեն (եզվով թարգմանչի ստորագրության իսկությունը):

<Նոտարիատի մասին> ՀՀ օրենքի 68 հոդվածի համաձայն հաստատում եմ փաստաթղթի թարգմանությունը կատարած թարգմանչի ստորագրության իսկությունը, այլ ոչ թե դրանում շարադրված փաստերը:

Գրանցված է գրանցամատյանում թիվ 24856

Գանձված են պետական տուրք հիմնով հարյուր ՀՀ դրամ և հինգ հարյուր ՀՀ դրամ ծառայության վճար, համաձայն <Պետական տուրքի մասին> և <Նոտարիատի մասին> ՀՀ օրենքների

Նոտար



Ատոս Գրիգորի Հայրապետյան