

Translated from Armenian

CONSOLIDATED FINANCIAL STATEMENTS

OF "TEL-CELL" CJSC

FOR 2017

Content

Independent auditor's conclusion.....	3
Consolidated statement on the financial status.....	6
Consolidated statement on the profit or loss and on other consolidated financial results.....	7
Consolidated statement on the changes in the equity capital.....	8
Consolidated statement on the cash flows.....	9
Annotations attached to the consolidated financial statements	10

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Independent auditor's conclusion

To the Shareholders 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), which include the consolidated statement on the financial status as of December 31, 2017, the consolidated statement on the profit or loss and other consolidated financial results of the reporting year, 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 and other explanative information.

By our opinion, the financial statements, in all essential respects, truly represent the financial status of the Group by December 31, 2017 as well as the results of the consolidated activity of the latter and the cash flows for the reporting year, 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 "Auditor's liability for the audit of financial statements" of our conclusion. 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.

Other circumstances

The audit of the consolidated financial statements of the Group by December 31, 2016 and of the year ended on that date was realized by another auditing organization, in the conclusion of which as of June 30, 2017 was expressed an unaltered opinion on the mentioned financial statements.

The liability of the management and persons involved in management circles 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 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.

Persons involved in the Management of the Company is responsible for the supervision of the process of preparing the financial statements of the Group.

The auditor's liability for the audit of consolidated financial statements

Our aim is 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, develop 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 secret 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 attached disclosures and accounting evaluations made by the management.
- 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.
- We acquire sufficient auditor's proofs connected with the financial information regarding the organizations of the Group or activity. We are liable for the management,

control and realization of the audit of the Group. We continue bearing full liability for our auditor's conclusion.

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 of internal control system detected during the audit.

The responsible partner for the realization of the audit that served as a ground for our independent auditor's conclusion is:

Tigran Gasparyan

Lead Partner, Director of "KPMG Armenia" CJSC

/signature and seal/

"KPMG Armenia" CJSC

June 29, 2018

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"Tel-Cell" CJSC

Consolidated statement on the financial status

thousand AMD	Annotation	31.12.2017	31.12.2016
Assets			
Fixed assets	9	256,264	251,324
Intangible assets	10	47,043	58,904
Goodwill	11	1,157,700	1,157,700
Advance payments		8,770	400
Postponed tax assets	8	36,166	27,926
Non-current assets		1,505,943	1,496,254
Reserves	12	59,207	62,166
Given borrowings	13	63,288	20,900
Commercial and other accounts receivable	14	294,661	266,995
Current tax assets		1,555	1,555
Monetary means and their equivalents	15	3,186,071	1,637,708
Current assets		3,604,782	1,989,324
Total assets		5,110,725	3,485,578
Equity capital			
Share capital	16	150,000	150,000
Non-distributed profit		457,209	456,299
Equity capital attributable to the owners of the company		607,209	606,299
Non-controllable shares	17	11,889	11,889
Total equity capital		619,098	618,188
Liabilities			
Loans and borrowings	19	1,140,259	56,221
Commercial and other accounts payable	20	66,039	119,290
Non-current liabilities		1,206,298	175,511
Loans and borrowings	19	57,423	536,081
Commercial and other accounts payable	20	3,156,91	2,130,217
Current tax liabilities		70,915	25,581
Current liabilities		3,285,329	2,691,879
Total liabilities		4,491,627	2,867,390
Total equity capital and liabilities		5,110,725	3,485,578

The consolidated statement on the financial status shall be read along with the attached annotations presented on pages from 10 to 49, which constitute as part of the present consolidated financial statements.

Tel-Cell" CJSC

Consolidated statement on the profit or loss and other consolidated financial results for 2017

thousands AMD	Annotation	2017	2016
Revenue	5	2,700,018	2,279,265
Commissions paid to agents		(760,522)	(518,357)
Other income	6(a)	151,865	205,157
Expenses in relation to the staff		(546,144)	(509,136)
Expenses in relation to lease	6(b)	(388,518)	(364,269)
Depreciation and amortization		(115,953)	(124,300)
Cash transfer expenses		(56,967)	(83,797)
Support and service expenses		(93,296)	(84,240)
Other expenses	6(c)	(295,032)	(190,606)
Results of operational activity		595,451	609,717
Financial income		23,469	19,865
Financial expenses		(45,510)	(94,639)
Net financial expenses	7	(22,041)	(74,774)
Profit before profit tax		573,410	534,943
Expense in relation to profit tax	8	(122,500)	(120,396)
Profit and total consolidated income for the year		450,910	414,547
Profit and total consolidated income attributable to:			
Owners of the Company		450,910	430,670
Uncontrollable shares		-	(16,123)
		450,910	414,547

These consolidated financial statements were approved by the management on June 29, 2018 and were signed on their behalf.

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

The consolidated statement on the profit or loss and other consolidated financial results shall be read along with the attached annotations presented on pages from 10 to 49, which constitute as part of the present consolidated financial statements.

Tel-Cell" CJSC

Consolidated statement on the changes in the equity capital for 2017

Thousand AMD	Shared capital	Non-distributed profit	Total	Non-controllable shares	Total equity capital
Balance, as of January 1, 2016	150,000	475,629	625,629	28,012	653,641
Total consolidated income					
Profit for the year	-	430,670	430,670	(16,123)	414,547
Total consolidated income for the year	-	430,670	430,670	(16,123)	414,547
Transactions with the owners of the Company					
Dividends	-	(450,000)	(450,000)	-	(450,000)
Total transactions with the owners of the Company	-	(450,000)	(450,000)	-	(450,000)
Balance as of December 31, 2016	150,000	456,299	606,299	11,889	618,188
Balance as of January 1, 2017	150,000	456,299	606,299	11,889	618,188
Total consolidated income for the year					
Profit for the year	-	450,910	450,910	-	450,910
Total consolidated income	-	450,910	450,910	-	450,910
Transactions with the owners of the Company					
Dividends	-	(450,000)	(450,000)	-	(450,000)
Total transactions with the owners of the Company	-	(450,000)	(450,000)	-	(450,000)
Balance as of December 31, 2017	150,000	457,209	607,209	11,889	619,098

The consolidated statement on the changes in the equity capital shall be read along with the attached annotations presented on pages from 10 to 49, which constitute as part of the present consolidated financial statements.

Consolidated statement on the cash flows for 2017

	Annotations	2017	2016
AMD			
Cash flows from operating activity			
Received commissions		2,147,475	1,884,754
Expenses on commissions		(714,994)	(519,965)
Cash inflows from transactions with foreign currency		130,142	171,457
Cash flows from other rendered services		78,302	94,495
Other received income		22,025	25,924
Payments to employees		(520,015)	(497,559)
Other paid expenses		(737,775)	(725,022)
Received interests		12,217	12,217
Paid interests		(39,956)	(63,978)
Paid taxes, except for the profit tax		(46,926)	(20,370)
Increase of operational liabilities			
Amounts payable to operators		1,217,225	505,783
Means deposited by agents		38,009	17,031
Advance payments received from agents		44,171	42,334
Reduction of advance payments received for the acquisition of shares		-	264,170
Net cash flows from total operating activity before the payment of profit tax		1,629,900	1,191,271
Paid profit tax		(85,431)	(81,385)
Cash flows received from operating activity		1,544,469	1,109,886
Cash flows from investment activity			
Inflows from the sale of fixed assets and intangible assets		32,073	157
Procurement of fixed assets and intangible assets		(149,433)	(63,013)
Provided borrowings		(91,301)	(44,195)
Repayment of provided borrowings		46,340	27,120
Net monetary means used for investment activity		(162,321)	(79,931)
Net Cash flows from total financing activity			
Inflows from loans and borrowings		1,469,363	-
Repayment of loans and borrowings		(1,028,340)	(484,678)
Paid dividends		(283,408)	(348,750)
Net monetary means (used) for financing activity/received from financing activity		157,615	(833,428)
Net increase of monetary means and their equivalents		1,539,763	196,527
Monetary means and their equivalents by January 1		1,637,708	1,431,091
The impact of foreign currency exchange rate change on the monetary means and their equivalents		8,600	10,090
Monetary means and their equivalents by December 31	15	3,186,071	1,637,708

The consolidated statement on the cash flows shall be read along with the attached annotations presented on pages from 10 to 49, which constitute as part of the present consolidated financial statements.

NOTATION	PAGE
1. Reporting organization	11
2. Registration principles	12
3. Functional and representation currency	12
4. Using assessments and judgments	12
4. Revenue	13
5. Income and expenses	13
6. Net financial expenses	15
7. Profit tax	15
8. Fixed assets	17
9. Intangible assets	18
10. Goodwill	19
11. Reserves	20
12. Provided borrowings	21
13. Commercial and other accounts receivable	21
14. Monetary means and their exchange rates	22
15. Capital and reserves	22
16. Uncontrollable shares	23
17. Capital management	24
18. Loans and borrowings	25
19. Commercial and other accounts payable	26
20. Real value and risks management	27
21. Subsidiary companies	34
22. Operational lease	34
23. Conditional cases	34
24. Related parties	35
25. Accounting policy	36
26. Not yet applied new standards and interpretations	46

1. Reporting organization

1.1 Business environment of Armenia

The Group realizes its activity in Armenia. Thus, the activity of the Group is influenced by the economy of Armenia and by the financial market, which are characterized by emerging market features. Legal, tax and legislative systems continue developing, but may have different interpretations and are subject to frequent changes, which, together with other legal and tax obstacles, creates additional complications for the companies operating in Armenia. Consolidated financial statements reflect the estimate of the management of the impact of Armenian business environment on the activity and financial status of the Group. Future business environment may differ from the estimate of the management.

(b) Organizational structure and activity

"Tel-Cell" CJSC (Company) and its subsidiary companies (Group) are closed joint stock and limited liability companies according to the Civil Code of the Republic of Armenia. The Company was established in 2007, in accordance with the Legislation of the Republic of Armenia. The activity of the Company is regulated by the Central Bank of the Republic of Armenia (RA CB). On July 24, 2007, the Company received money transfers, a license to realize processing and clearing of payment instruments and payment and settlement documents.

The main activity of the Company is:

- Rendering payment receipt services, for example: receipt of the utility bills of end users, loans repayments, payments to state budget on behalf of service providers (Operators) through its personal terminals and through terminals of agents,
- Money transfers,
- Encashment services.

The legal address of the company is: Vardanants blind alley 8, Yerevan city 0010, RA.

The Company realizes its activity in the Republic of Armenia, through 8 branches and more than 1800 payment terminals. The majority of the assets and liabilities of the Company is in the Republic of Armenia.

The shareholders of the Company are Lendasy Trading Ltd (56.28%), Aram Sargsyan (37.91%) and Tatevik Avetisyan (5.81%). The final supervising person of the Group is Volha Kirnitskaya.

The transactions with related parties are presented in Annotation 24.

2. Registration principles

Statement on compliance

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

3. Functional and representation currency

RA national currency is the Armenian dram (AMD), which is the functional currency and the present financial statements' presentation currency of the Group. The whole presented financial information is presented in AMD, with thousands accuracy, except for cases when other information is mentioned.

4. Using assessments and judgments

For the preparation of consolidated financial statements in accordance with the requirements of 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 may have an impact.

Information on more important judgments, which have been formulated during the application of accounting policy and have significant impact on the amounts recognized in consolidated financial statements, as well as information on the uncertainty of presumptions and valuations, which presume an essential verification risk in the following financial year, is presented in annotation 11, connected with the key assumptions applied for the verification of Goodwill depreciation.

Measurement of real value

Measurement of real value for financial and non-financial assets and liabilities is required for some accounting provisions and disclosures of the Group.

While measuring the real value of an asset or liability, the Group uses observable market data as far as possible. Real values are classified as per the levels of hierarchy of the real value, taking as a basis baseline data used in evaluation methods, as described below:

- *1st level:* Quoted prices (not verified) in active markets for the same assets or liabilities.
- *2nd level:* Baseline data other than the quoted prices included in the 1st level, which are observed in relation to asset or liability either directly (that is: as prices) or indirectly (that is: received based on the prices).
- *3rd level:* baseline data in relation to asset or liability, which are not based on observable market data (non-observable baseline data).

If the baseline data used for measuring the real value of an asset or liability may be classified to various levels of the hierarchy of real value, then the measurement of real value is completely classified to the same level of hierarchy, to which are classified the baseline data of the lowest level, which are significant for the measurement of the total real value.

The Group recognizes the transfers taken place between the levels of hierarchy of the real value, during which the changes have taken place.

5. Revenue

Thousand AMD	2017	2016
Commissions from receipt of payments	2,517,896	2,164,018
Revenue from rendered services	105,040	102,975
Commissions from encashment services	53,790	-
Commissions from money transfers	10,499	2,598
Other revenue	12,793	9,674
Total revenue	2,700,018	2,279,265

6. Incomes and expenses

(a) Other income

Thousand AMD	2017	2016
Net income from foreign currency purchase and sale transactions	130,142	171,457
Income from the sale of reserves	7,792	4,530
Gains from the alienation of fixed assets	4,301	1,360
Other	9,630	27,810
	151,865	205,157

Expenses in relation to lease

Thousand AMD	2017	2016
Area lease for terminals	313,926	296,412
Other expenses in relation to lease	74,592	67,857
	388,518	364,269

(c) Other expenses

Thousand AMD	2017	2016
Advertising and marketing	87,135	26,622
Services of external organizations	30,525	17,497
Utility and communication services	22,119	21,413
Customer service	18,813	6,010
Expenses of bank services	17,491	18,592
Maintenance of processing system	16,520	4,100
Business trip and representation expenses	15,801	11,400
Reduction of reserves value	14,628	-
Professional services	11,943	5,976
Transfer services	8,471	570
Office supplies	5,968	4,940
Insurance	4,890	226
Security	3,882	3,272
Requirements	1,616	4,923
Reduction of the value of intangible assets	-	26,628
Other	35,230	38,437
	295,032	190,606

7. Net financial expenses

Thousand AMD	2017	2016
Recognized in profit or loss		
Net gains from exchange rate differences	11,252	15,428
Interest income in relation to bank accounts	10,331	4,437
Interest income in relation to provided borrowings	1,886	-
Financial income	23,469	19,865
Interest expense in relation to loans and borrowings	(39,654)	(93,092)
Depreciation of financial assets	(5,856)	(1,547)
Financial expenses	(45,510)	(94,639)
Net financial expenses recognized in the profit or loss	(22,041)	(74,774)

8. Profit tax

(a) Amounts recognized in the profit or loss •

The Group pays the profit tax with the 20% rate applied for Armenian companies.

Thousand AMD	2017	2016
Expense in relation to current tax		
Current year	(130,740)	(135,422)
	(130,740)	(135,422)
Expense in relation to postponed tax		
Origination and reversal of temporary differences	8,240	15,026
Total expense in relation to profit tax	(122,500)	(120,396)

Comparison of effective tax rate

	2017		2016	
	Thousand AMD	%	Thousand AMD	%
Profit before profit tax	573,410	100%	534,943	100%
Profit tax by applied tax rate	(114,682)	(20%)	(106,989)	(20%)
Non-reducible expenses	(7,818)	(1%)	(13,407)	(3%)
	(122,500)	(21%)	(120,396)	(23%)

(b) Recognized postponed tax assets and liabilities

Postponed tax assets and liabilities are attributable to the following articles:

Thousand AMD	Assets	
	December 31, 2017	December 31, 2016
Fixed assets	10,196	12,914
Provided borrowings	1,115	595
Reserves	2,926	-
Commercial and other accounts receivable	7,343	6,390
Loans and borrowings	3,189	3,189
Commercial and other accounts payable	11,397	4,838
Net tax assets	36,166	27,926

(c) Movement in the deferred tax balances

Thousand AMD	January 1, 2017	Recognized in the profit or loss	December 31, 2017
Fixed assets	12,914	(2,718)	10,196
Reserves	-	2,926	2,926
Provided borrowings	595	520	1,115
Commercial and other accounts receivable	6,390	953	7,343
Loans and borrowings	3,189	-	3,189

Commercial and other accounts payable	4,838	6,559	11,397
Net tax assets	27,926	8,240	36,166
Thousand AMD	January 1, 2016	Recognized in the profit or loss	December 31, 2016
Fixed assets	2,486	10,428	12,914
Provided borrowings	-	595	595
Commercial and other accounts receivable	5,526	864	6,390
Loans and borrowings	-	3,189	3,189
Commercial and other accounts payable	4,888	(50)	4,838
Net tax assets	12,900	15,026	27,926

9. Fixed assets

Thousand AMD	Cash processing equipment	Computers and office equipment	Economic means	Vehicles	Improvements of leased fixed assets	Total
<i>Initial value</i>						
Balance as of January 1, 2016	522,507	82,764	44,751	13,511	2,938	666,471
Additions	34,475	7,205	4,919	7,501	-	54,100
Alienations	(39,113)	(706)	(122)	-	-	(39,941)
Balance as of December 31, 2016	517,869	89,263	49,548	21,012	2,938	680,630
Balance as of January 1, 2017	517,869	89,263	49,548	21,012	2,938	680,630
Additions	65,915	28,202	8,280	1,617	23,010	127,024
Alienations	(22,681)	-	-	(4,606)	-	(27,287)
Balance as of December 31, 2017	561,103	117,465	57,828	18,023	25,948	780,367
<i>Depreciation</i>						
Balance as of January 1, 2016	288,234	45,202	20,497	9,442	571	363,946
Depreciation of the year	76,258	14,000	8,213	1,956	979	101,406
Alienations	(35,239)	(706)	(101)	-	-	(36,046)
Balance as of December 31, 2016	329,253	58,496	28,609	11,398	1,550	429,306
Balance as of January 1, 2017	329,253	58,496	28,609	11,398	1,550	429,306
Depreciation of the year	75,207	14,920	8,157	1,834	1,104	101,222
Alienations	(3,113)	-	-	(3,312)	-	(6,425)
Balance as of December 31, 2017	401,347	73,416	36,766	9,920	2,654	524,103
<i>Balance sheet value</i>						
As of January 1, 2016	234,273	37,562	24,254	4,069	2,367	302,525
As of December 31, 2016	188,616	30,767	20,939	9,614	1,388	251,324
As of December 31, 2017	159,756	44,049	21,062	8,103	23,294	256,264

Pledge security

By December 31, 2017, the cash processing equipment with the balance sheet value of 7,911 thousand AMD (in 2016 – 19,524 thousand AMD) are pledged against loans and borrowings (Annotation 19).

10. Intangible assets

Thousand AMD	Computer programs	Licenses	Total
<i>Initial Value</i>			
Balance as of January 1, 2016	82,794	12,038	94,832
Additions	40,938	1,596	42,534
Alienations	(29,575)	(1,067)	(30,642)
Balance as of December 31, 2016	94,157	12,567	106,724
Balance as of January 1, 2017	94,157	12,567	106,724
Additions	1,570	1,300	2,870
Balance as of December 31, 2017	95,727	13,867	109,594
<i>Amortization</i>			
Balance as of January 1, 2016	29,611	2,107	31,718
Amortization of the year	19,802	3,092	22,894
Alienations	(6,292)	(500)	(6,792)
Balance as of December 31, 2016	43,121	4,699	47,820
Balance as of January 1, 2017	43,121	4,699	47,820
Amortization of the year	12,581	2,150	14,731
Balance as of December 31, 2017	55,702	6,849	62,551
<i>Balance sheet value</i>			
As of January 1, 2016	53,183	9,931	63,114
As of December 31, 2016	51,036	7,868	58,904
As of December 31, 2017	40,025	7,018	47,043

11. Goodwill

Thousand AMD	December 31, 2017	December 31, 2016
"Mega Pantera" LLC procurement goodwill	1,077,950	1,077,950
"Tel-Cell" LLC procurement goodwill	79,750	79,750
Total	1,157,700	1,157,700

Goodwill comprising cash generating unit depreciation checks

checking depreciation, goodwill is distributed to the general operations of the Group. The Group does not have a smaller cash-generating unit, through which it would be possible to control goodwill for internal administrative purposes.

The compensated amount of cash-generating unit is based on the usage value of the latter, which was defined by discounting the future cash flows arising from continuing operations of the Group. It was decided that the compensated amount of cash-generating unit is higher from the balance sheet value of the latter and loss was not recognized from depreciation.

Key assumptions applied for the forecasts of discounted cash flows

The main assumptions applied for the determination of compensated amounts are the discount rate, final value growth rates and profit (EBITDA) limits of earnings before interest, taxes, depreciation and amortization.

Those assumptions are presented below:

With interests	2017
Discount rate	16.7%
Final value growth rates	4.0%
EBITDA growth rates foreseen by the budget (average for the following five years)	0.2%

(i) Discount rate

For determining the compensated amount of cash-generating unit was applied discount rate after 16.7% taxation. The discount rate was defined taking as a basis the previous experience and the average weighed average value of the capital for that sphere, which is based on the range of 23.8% of debt usage, with 12.3% market interest rate.

(ii) Final value growth rates

The model of discounted cash flows includes the forecasts of cash flows for five years. 4% growth rate was determined, which is the long-term forecasts of inflation of Armenia/

(iii) EBITDA growth foreseen by the budget

EBITDA foreseen by the budget is expressed as general growth rate of the first years of five-year business programs, which is used for checking depreciation and is based on the previous experience, with the verification connected with the following:

- It is supposed that the commissions received from the sale during the first two years and the revenue received from other sources will demonstrate a stable high growth from inflation level and will grow during the following years only with the amount of inflation rate.
- Industrial expenses during the first two years of the business program were foreseen taking as a basis the same growth rates of 2017. The foreseen annual growth included in the forecasts of cash flows of 2019-2022, according to valuations, complies with the inflation rate of the country.

(iv) Sensitivity towards changes of assumptions

The assessed compensated amount of cash-generating unit exceeds the latter's balance sheet value by approximately 75,327 thousand AMD. The Management has disclosed two main assumptions, the change of which is reasonably possible and in the result of which the balance sheet value may exceed the compensated amount. In the below table is presented the size of the change required separately by those two assumptions, in case of which the assessed compensated amount will be equal to the balance sheet value.

	Change which is required so that the balance sheet value equals to the compensated amount
	2017
With interests	
Discount rate	0.59%
Final value growth rates	(0.3%)

12. Reserves

Thousand AMD	December 31, 2017	December 31, 2016
Spare parts	55,012	51,308
Fuel	550	879
Other	3,645	9,979
	59,207	62,166
Reduction of the value of reserves in the current year	14,628	-

13. Provided borrowings

Thousand AMD	December 31, 2017	December 31, 2016
Not secured by pledge borrowings given to related parties	39,900	18,200
Not secured by pledge borrowings given to other parties	14,081	-
Not secured by pledge borrowings given to employees	9,307	2,700
	63,288	20,900

For non-secured by pledge borrowings given to other parties 12% is applied, for the remaining given borrowings no interest is applied.

The information on the subjection to debt and foreign currency risk and on the losses from depreciation in relation to given borrowings is presented in Annotation 21.

14. Commercial and other accounts receivable

Thousand AMD	December 31, 2017	December 31, 2016
Commercial accounts receivable in relation to payment services	181,483	172,136
Commercial accounts receivable in relation to money transfers	23,186	5,211
Other accounts receivable	35,251	14,498
Total commercial accounts receivable	239,920	191,845
Given advance payments	48,708	71,074
Amounts receivable from the budget	5,791	2,973
Other accounts receivable	242	1,103
Total other accounts receivable	54,741	75,150
Total commercial and other accounts receivable	294,661	266,995

The information on the subjection to debt and foreign currency risk and on the losses from depreciation in relation to commercial and other accounts receivable is presented in Annotation 21.

15. Monetary means and their equivalents

Thousand AMD	December 31, 2017	December 31, 2016
Cash in cash register	671,980	12,517
Cash in terminals	644,069	470,053
Cash on the way	234,771	573,096

Bank accounts balances		
Big Armenian banks	1,035,563	364,470
Other Armenian banks	565,096	40,575
Other non-local banks (without rating)	34,592	176,997
Monetary means and their equivalents in the consolidated statements on the cash flows and on the financial status	3,186,071	1,637,708

The information on the subjection to interest risk and the analysis of sensitivity of financial assets and liabilities are presented in Annotation 21.

16. Capital and reserves

(a) Shared capital

Number of shares, if other information is not mentioned	Ordinary shares	
	December 31, 2017	December 31, 2016
Issued by January 1, December 31, fully paid	150,000	150,000
Declared shares – Nominal value	1,000 AMD	1,000 AMD

The holders of ordinary shares have equal rights towards the residual assets of the Group.

Ordinary shares

The holders of ordinary shares are entitled to receive the declared dividends from time to time and to vote in the Meetings of Shareholders of the Company with the principle of one vote one share.

(b) Dividends

According to the Legislation of the Republic of Armenia, the reserves of the Company and its subsidiary companies subject to distribution are limited with the non-distributed profit residue registered in the consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards.

During 2017, the Company has declared dividends with the amount of 450,000 thousand AMD (in 2016-450,000 thousand AMD) and has paid dividends with the amount of 283,408 thousand AMD (in 2016 - 348,750 thousand AMD). Dividend of one share forms 3,000 thousand AMD (in 2016 – 3,000 thousand AMD).

17. Uncontrollable shares

In the below tables is summarized information on the subsidiary company of the Group having essential uncontrollable share before intergroup exclusions.

December 31, 2017

Thousand AMD	"Mega Pantera" LLC	Intergroup exclusions	Total
Uncontrollable share interest	50%		
Non-current assets	20,544		
Current assets	3,244		
Net assets	23,788		
Balance sheet value of uncontrollable share	11,889	-	11,889
Total consolidated income	-		
Net growth of monetary means and their equivalents	-		

December 31, 2016

Thousand AMD	"Mega Pantera" LLC	Intergroup exclusions	Total
Uncontrollable share interest	50%		
Non-current assets	20,544		
Current assets	3,244		
Net assets	23,788		
Balance sheet value of uncontrollable share	11,889	-	11,889
Loss	(32,346)		
Total consolidated loss	(32,346)		
Distributed loss to uncontrollable share	(16,123)		
Net growth of monetary means and their equivalents	-		

18. Capital Management

By the policy of the Board it is necessary to provide stable base of capital to keep the trust of investors, lenders and market and to provide further development of the business. The Board of Directors controls the profitability of capital, which is defined as ratio of the result of operational activity and total equity capital (without uncontrollable share): The Board of Directors controls also the level of dividends paid to the holders of ordinary shares.

The Group controls the capital, using the correlation of net debt with the equity capital. The net debt verified for that purpose is established as a total amount of liabilities, which includes interest loans and borrowings, minus monetary means and their equivalents.

Below are presented the ratio of verified net debt and equity capital by December 31, 2017 and 2016.

Thousand AMD	2017	2016
Total liabilities	4,491,627	2,867,390
Minus monetary means and their equivalents	3,186,071	1,637,708
Net debt	1,305,556	1,229,682
Total equity capital	619,098	618,188
Ration of net debt and equity capital by December 31	0.47	0.50

The approach of the Group in relation to capital management was not changed during the year.

The requirements of the size of the capital of the Company are established and controlled by the RA CB.

The Bank defines the articles established by the Legislation for the capital of payment organizations. According to the current requirements for the capital established by the RA CB, the minimum total capital of payment organizations shall form 100,000 AMD (in 2016 – 100,000 AMD). By 2017, and by December 31, 2017 and 2016 the Company has preserved the minimum size of the total capital. Other legislative requirements are not applicable towards the capital of the Company.

19. Loans and borrowings

Information on the contractual terms of interest bearing loans and borrowings is presented in these annotation. More detailed information on the subjection of the Group to interest, foreign exchange and realizability risks is presented in Annotation 21.

Thousand AMD	December 31, 2017	December 31, 2016
<i>Non-current liabilities</i>		
Bank loans secured by pledge	800,526	38,431

Non-secured by pledge borrowings from related parties	339,733	-
Secured by pledge borrowings from other parties	-	17,790
	1,140,259	56,221
<i>Current liabilities</i>		
Current part of bank loans secured by pledge	-	462,070
Current part of non-secured by pledge borrowings received from related parties	1,041	47,130
Current part of secured by pledge borrowings received from other parties	17,869	26,881
Current part of non-secured by pledge borrowings received from other parties	38,513	-
	57,423	536,081
	1,197,682	592,302

(a) Repayment terms and schedule

Below are presented the terms applied for the loans and borrowings:

Thousand AMD	Currency	Nominal interest rate	Repayment year	December 31, 2017		December 31, 2016	
				Nominal value	Balance sheet value	Nominal value	Balance sheet value
Secured by pledge bank loan 1	AMD	2%	2019	800,526	800,526	-	-
Secured by pledge bank loan 2	USD	11%	2018	-	-	500,501	500,501
Non-secured by pledge borrowing from related parties 1	AMD	11%	2019	306,936	306,936	-	-
Non-secured by pledge borrowing from related parties 2	AMD	0%	2019	32,797	32,797	-	-
Non-secured by pledge borrowing from related parties 3	USD	10%	2018	1,041	1,041	47,130	47,130
Secured by pledge borrowing from other party	AMD	11%	2018	17,869	17,869	44,671	44,671
Non-secured by pledge borrowing from other party	USD	11%	2018	38,513	38,513	-	-
Total interest bearing liabilities				1,197,682	1,197,682	592,302	592,302

By December 31, 2017 and 2016, the 100% of the shares of the Group is pledged against secured by pledge bank loan 1 and secured by pledge bank loan 2. Besides, monetary means are kept in the bank, which has provided the secured by pledge bank loan 1 and serve in essence as security for that loan.

By December 31, 2017, cash processing equipment with the balance sheet value of 7,911 thousand AMD (in 2016 – 19,524 thousand AMD) are pledged against the borrowing secured by pledge from another party (Annotation 9).

(b) Comparison of changes of liabilities and monetary means originating from funding activity.

Thousand AMD	Loans and borrowings
Balance by January 1, 2017	592,302
Changes connected with the cash flows originating from funding activity	
Inflows from loans and borrowings	1,469,363
Repayment of loans and borrowings	(1,028,340)
Total changes connected with the cash flows originating from funding activity	441,023
Impact of foreign currency exchange rate	(1,938)
Borrowings received from declared dividends	166,597
Other changes	
Interest expense	39,654
Paid interests	(39,956)
Balance as of December 31, 2017	1,197,682

20. Commercial and other accounts payable

Thousand AMD	31.12.2017	31.12.2016
Amounts payable to operators	2,694,429	1,992,564
Amounts payable to agents	105,742	60,244
Other commercial accounts payable	79,332	31,289
Means deposited by agents	164,030	126,021
Amounts payable to employees	50,633	27,706
Total commercial accounts payable	3,094,166	2,167,824
Received advance payments	108,125	63,953
Amounts payable to state budget	20,739	17,730
Total other accounts payable	128,864	81,683
Total commercial and other accounts payable	3,223,030	2,249,507
Current	66,039	119,290
Non current	3,156,991	2,130,217

Accounts payable to operators are the fees received on behalf of operators, which have not been transferred by the reporting date.

Information on the subjection of the Group to foreign currency and realizability risks connected with commercial and other accounts payable is presented in Annotation 21.

21. Real value and risks management

(a) Accounting classifications and risks management

The assessed real values of all financial assets and liabilities nearly comply with their balance sheet values.

(b) Financial risks management

While using financial instruments, the Group is subjected to the following risks.

Debt risk (annotation 22 (b) (ii)),

Realizability risk (annotation 22 (b) (iii)),

Market risk (annotation 22 (b) (iv)),

(i) Principles of risks management

The Board of Directors bears liability for the development and control of risks management system of the Group.

The aim of the policy of risks management of the Group is to disclose and to analyze the risks the Group is subjected to, to define corresponding risk limits and control mechanisms, as well as to control risk levels and their compliance with the defined limits. Risks management policy and systems are regularly reviewed to reflect the changes of market conditions and activity of the Group. Through training courses, management standards and procedures, the Group intends to form a regulated and structural environment of control, where all employees will understand their roles and responsibilities.

The internal audit Division of the Group controls how the management controls the correspondence of risks management policy with the requirements of procedures and examines

correspondence of risks management system of the Group to the risks the Group is subjected to. The Internal Audit Division realizes regular and selective checks of risks management control system and procedures.

(ii) Debt risk

Debt risk is the risk of bearing financial loss, when the customer or the contractual party of financial instrument is not able to fulfill his contractual obligations towards the Group. Debt risk arises mainly in relation to accounts receivable from customers.

Subjection to debt risk

The balance sheet value of financial assets presents the maximum size of subjection to debt risk. Below is presented the maximum size of subjection to debt risk by the reporting date.

Thousand AMD	Balance sheet value	
	2017	2016
Provided borrowings	63,288	20,900
Commercial accounts receivable	239,920	191,845
Monetary means and their equivalents	1,870,022	1,155,138
	2,173,230	1,367,883

Provided borrowings

According to the policy of the Group, borrowings are provided mainly to related parties, without requiring pledge.

Commercial and other accounts receivable

The subjection of the Group to debt risk mainly depends on the peculiarities of each customer. However, the management observes also the structure of customers' base, including the risk of non-fulfillment of undertaken responsibilities by the customers of that sphere and by the country, mainly in the deteriorating economic conditions.

Approximately 76% of commercial and other accounts receivable is the amounts receivable from payment services, which are not subjected to debt risk, as the amounts payable in relation

payments accepted from the same contractual parties exceed the amount receivable by December 31, 2017 for several times (annotation 20, amounts payable to operators).

The Group does not require pledge for commercial and other accounts receivable.

The Group forms a reserve in relation to depreciation which is the estimate of the Group for the damages borne in relation to commercial and other accounts receivable.

Below is presented the maximum subjection to the debt risk in relation to commercial accounts receivable by the reporting date, as per geographic areas:

Thousand AMD	Balance sheet value	
	2017	2016
Republic of Armenia	234,540	189,467
Other CIS countries	5,380	2,378
	239,920	191,845

Below is presented the maximum subjection to the debt risk in relation to commercial accounts receivable by the reporting date, as per contractual parties:

Thousand AMD	Balance sheet value	
	2017	2016
Banks and other financial organizations	61,816	17,453
Companies rendering utility services	19,003	20,633
Telecommunication companies	80,242	108,783
Online games	48,412	21,692
Trade	17,551	12,904
Other	12,896	10,380
	239,920	191,845

By December 31, 2017, the share of the largest 10 customers is 146,700 thousand AMD (in 2016 – 132,763 thousand AMD) of the balance sheet value of commercial and other accounts receivable.

Below is presented the maturity of those commercial and other accounts receivable which are not depreciated by the reporting date.

Thousand AMD	2017	2016
Not past due and not depreciated	151,272	96,337
0-30 days past due	63,224	79,873
31-120 days past due	12,421	14,220
121-180 days past due	2,704	237
More than 180 days past due	10,299	1,178
	239,920	191,845

Taking as a basis the previous indices of non-fulfillment of obligations, the Group considers that reserve formation is not required for not past due and up to 30 days past due commercial and accounts receivable. The Group realizes depreciation check with a separate principle for more than 30 days past due commercial accounts receivable.

Below is presented the reserve movement during the year in relation to commercial and other accounts receivable.

Thousand AMD	2017	2016
Balance as of the beginning of the year	1,000	27,629
Loss from recognized depreciation	4,256	-
Amounts written off against commercial accounts receivable	-	(26,629)
Reduction in the result of reversal	(1,000)	-
Balance as of the end of the year	4,256	1,000

Monetary means and their equivalents

By December 31, 2017, the Group has 1,870,022 thousand AMD monetary means and their equivalents (in 2016 – 1,155,138 thousand AMD) which is the maximum subjection to debt risk in relation to these assets. The balances of bank accounts are kept in big Armenian Banks, and the Group does not expect that these banks will not fulfill their responsibilities. Security for the cash on the way serve the received advance payments (means deposited by agents, annotation 20), guarantees and pledged cash processing equipment.

(iii) Realizability risk

Realizability risk presumes 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.

Subjection to realizability risk

Below is presented the contractual maturity of financial liabilities by the reporting date. Gross and not discounted amounts are presented, which include the payments of calculated interests.

December 31, 2017	Contractual cash flows						
Thousand AMD	Balance sheet value	Total	On demand	Up to 2 months	2-12 months	1-2 years	2-5 years
Not derivative financial liabilities							
Loans and borrowings	1,197,682	1,296,401	-	52,119	55,622	1,188,660	-
Commercial accounts payable	3,094,166	3,094,166	6,321	2,886,720	136,086	920	64,119
	4,291,848	4,390,567	6,321	2,938,839	191,708	1,189,580	64,119
December 31, 2016	Contractual cash flows						
Thousand AMD	Balance sheet value	Total	On demand	Up to 2 months	2-12 months	1-2 years	2-5 years
Not derivative financial liabilities							
Loans and borrowings	592,302	631,295	-	91,871	482,314	57,110	-
Commercial accounts payable	2,167,824	2,167,824	-	2,017,733	29,281	93,730	27,080
	2,760,126	2,799,119	-	2,109,604	511,595	150,840	27,080

It is not expected that the cash flows included in the analysis of maturity may arise earlier or with more different amounts.

(iv) 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 profitability against risk.

Currency risk

Subjection to foreign currency risk is connected with the sales, purchases and borrowings expressed in a currency different from the functional currency of the organizations of the Group. These operations are mainly realized in USD, RUR and EUR.

Subjection to currency risk

Below is presented the subjection of the Group to foreign currency risk:

Thousand AMD	Expressed in USD 2017	Expressed in EUR 2017	Expressed in RUR 2017	Expressed in USD 2016	Expressed in EUR 2016	Expressed in RUR 2016
Commercial accounts receivable	1,173	615	22,897	243	-	7,298
Monetary means and their equivalents	24,068	28,136	85,584	11,396	15,02	165,965
Loans and borrowings	(39,554)	-	-	(547,631)	-	-
Commercial accounts payable	(2,282)	(1,166)	-	(7,780)	(1,030)	(9,525)
Net subjection	(16,595)	27,585	108,481	(543,772)	13,982	163,738

Main foreign currency exchange rates have been applied during the year.

In AMD	Average annual exchange rates		Exchange rate of reporting date	
	2017	2016	2017	2016
1 USD	482.63	480.48	484.1	483.94
1 EUR	546.15	531.90	580.1	512.20
1 RUR	8.28	7.20	8.4	7.88

Sensitivity analysis

The reasonable possible appreciation (depreciation) of AMD exchange rate by December 31 towards USD, EUR and RUR would affect the measurement of financial instruments expressed

foreign currency and the profit or loss with the amount presented below. The analysis has been made assuming that all the remaining variables, mainly interest rates will remain unchanged and not taking into account the foreseen purchase and sale impact.

Thousand AMD	Appreciation	Depreciation
December 31, 2017	Profit or loss	Profit or loss
10% AMD movement towards USD	1,660	(1,660)
10% AMD movement towards EUR	(2,759)	2,759
10% AMD movement towards RUR	(10,848)	10,848

Thousand AMD	Appreciation	Depreciation
December 31, 2016	Profit or loss	Profit or loss
10% AMD movement towards USD	54,377	(54,377)
10% AMD movement towards EUR	(1,398)	1,398
10% AMD movement towards RUR	(16,374)	16,374

Interest risk

Changes of interest rates mainly affect directly the borrowings and loans, changing their real value (debt with a fixed interest rate) or their future cash flows (debt with variable interest rate). The Management does not have a formal policy to decide the extent the Group shall 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?

Subjection to interest rate risk

Below are presented the interest bearing financial instruments of the Group on interest rate basis by the reporting date.

Thousand AMD	Balance sheet value	
	2017	2016
Fixed rate instruments		-
Financial assets	14,081	
Financial liabilities	(1,164,885)	(592,302)
	(1,150,804)	(592,302)

Real value sensitivity risk for fixed rate instruments

The Group does not register fixed rate financial instruments as measured by the real value through profit or loss or as accessible for sale. Therefore, by the reporting date, the interest rate changes will not affect the profit or loss or the equity capital.

22. Subsidiary companies

Below are presented the subsidiary organizations of the Group:

Name	Registration country	Main activity	Ownership %	
			2017	2016
"Tel-Cell Service" LLC	Republic of Armenia	The main activity of the Company is the provision of area for advertisement on payment terminals, rendering of technical maintenance service of terminals	100%	100%
"Mega Pantera" LLC	Republic of Armenia	The activity of the Company was terminated from 2016.	50%	50%

23. Operational lease

Lease where the Company is a Tenant

The Company leases areas of a number of shops with the terms of operational lease. Lease contracts may be cancelled, preliminary presenting a notification 1-2 months before.

Future minimum rental fees

The future minimum rental fees payable in relation to non-declared operational lease are as follows:

Thousand AMD	2017	2016
Up to 2 months	38,757	30,709

4. Conditional cases

(a) Insurance

Insurance is comparatively new in the Republic of Armenia and is in development phase, and many insurance forms which are widely spread in other countries are not yet applied in the Republic of Armenia. The Group has insured the payment terminals and the cash in payment terminals. However, the Group has not fully insured its other fixed assets and equipment, it is not insured also from the interruption of activity and from liabilities towards third parties, which may arise from the damage inflicted to the property or to the environment, in the result of the accidents taken place in the territory of the Group and in the result of its activity. 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.

(b) Judicial proceedings

During the regular activity, the Group may act as a party of judicial proceedings and claims. The Management considers that the liabilities arising in the result of such proceedings and claims, if there are such, will not have significant negative impact on the financial status or on the results of future activity.

(c) Tax liabilities

Tax system in RA is comparatively new and 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. In case of violation of tax legislation, tax authorities are not entitled to establish additional liabilities, fines and penalties in relation to taxes, if three years have passed from the date of the violation.

The mentioned circumstances may jeopardize significant tax risks in the Republic of Armenia as compared with other countries. The Management of the Group considers 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.

25. Related parties

(a) Parent organization and final controlling party

The parent Company is Lendasy Trading Ltd and the final supervising person of the Group is Volha Kirnitskaya.

The parent organization of the Company does not present financial statements accessible to public.

(b) Transactions with the members of the Board of Directors and the Management

(i) Remuneration of the Board of Directors and the Management

During the year, the key management staff has received the below presented remuneration, which is included in the expenses in relation to the staff.

Thousand AMD	2017	2016
Salary and bonuses	79,712	77,539

(ii) Transactions with the Board of Directors and the Management

Thousand AMD	Transaction amount for the year ended on December 31		Balance as of December 31	
	2017	2016	2017	2016
Provided borrowings	53,200	45,500	39,900	18,200
Loans and borrowings	172,300	-	172,612	-

(c) Transactions with proprietors

Thousand AMD	Transaction amount for the year ended on December 31		Balance as of December 31	
	2017	2016	2017	2016
Received loans and borrowings				
Shareholders	166,597	-	168,162	47,130

received loans and borrowings are subject to repayment until 2019, by 0% or 11% interest

Accounting policy

The below stated accounting policy has been consistently applied by the Group for all periods presented in the present consolidated financial statements.

(a) Consolidated principles

(a) Unions of entrepreneurial activity

Unions of entrepreneurial activity are registered applying acquisition method by the date of acquisition, which is the date of transferring of the right of control to the Group (Annotation 26 (a) (iii)).

The Group measures goodwill by the date of acquisition as:

- Real value of transferred compensation, plus
- Recognized amount of uncontrollable shares in acquired organization, plus
- Real value of the previous share in the equity capital of the acquired, in case of phased acquisition of entrepreneurial activity, minus
- Net amount (usually the real value) of acquired identifiable assets and undertaken liabilities.

In case of a negative difference, the profit from acquiring by discount is recognized directly in the profit or loss.

The transferred compensation does not include the amounts, which refer to the repayment of previously existing relations. These amounts, as a rule, are recognized in the profit or loss.

The expenses connected with the transaction, except for the expenses related with unions of entrepreneurial activity, are expended during fulfillment.

(ii) Uncontrollable shares

Uncontrollable shares are measured by proportion of uncontrollable share in identifiable net assets of the target organization, by the date of acquisition.

The changes of the share of the Group in subsidiary organization, which do not lead to the loss of control, are registered as share operations.

(iii) Subsidiary organizations

Subsidiaries are such organizations, towards which the Company has control. The Company has control over the organization when in the result of its involvement in those organizations it has a right of variable compensations or subjection to risk and an ability to influence those compensations through its authority towards that organization. The financial statements of subsidiary organizations are included in the consolidated financial statements, from the beginning of starting control until the termination of the control. In case of necessity, changes are being made in the accounting policy applied by subsidiary organizations, to ensure its compliance with the policy adopted by the Group. The damage attributable to the uncontrolled

res of subsidiary organization is distributed to the uncontrolled shares, even if the balance of controlled share becomes negative in the result of it.

(v) Operations excluded during consolidation

The residues of intergroup calculations and operations, as well as any non-realized incomes and expenses arising from intergroup operations are excluded.

(b) Revenue

(i) Services

Revenue from rendered services is recognized based on the level of completeness of the transaction by the reporting date. The level of completeness is assessed based on the examination of fulfilled works.

(ii) Commissions

If in the transaction the Group acts as Agent and not as Principal, the recognized revenue is the net amount of the commission paid by the Group.

The income received from commissions refers to the collection of payments from end users on behalf of service providers (Operators), where the Group acts as Agent of transaction and not as Principal. While separating the agent and the principal observes the following factors:

- The right of ownership of goods and services does not pass to the Group, and the Group does not bear liability for the sold goods and rendered services.
- The Group may not change the sale price established by suppliers.

The Group acts as Principal in transactions, where the Agents collect the amounts on behalf of the Group, using their own equipment of cash processing, which are connected with the processing system of the Group. While separating the agent and the principal, the Management observes the fact that the Group bears full liability for the sold goods and rendered services.

Expenses connected with commissions refer to the subagency relations between the Group and the Agents, which the Group confirms the fulfillment of its contractual obligations towards Operators.

(c) Financial income and expenses

The financial income and financial expenses of the Group include:

- Interest income,
- Interest expenses,
- Profit originating from exchange rate differences or the profit or loss in relation to financial assets and financial liabilities.

Interest income or expense is recognized applying effective interest method.

(d) Foreign currency

(i) Transactions with foreign currency

Transactions made by foreign currency are exchanged by the exchange rate established by the date of the functional currency transaction.

At the reporting date, AMD assets expressed in foreign currency and the liabilities are exchanged by the exchange rate established by that date. The profit from the transactions realized by the foreign currency in relation to AMD articles is the difference of the amortized value expressed in functional currency, with effective interest rate and verified by payments during the period by the beginning of the reporting year and the amortized value expressed in foreign currency and exchanged by the acting by the last day of the reporting period exchange rate.

The articles expressed in the foreign currency measured by the initial value are exchanged by the exchange rate established by the date of the transaction.

(e) Profit tax

Profit tax consists of current and postponed taxes. Current and postponed taxes are recognized in the profit or loss, except for the part, which refers to units of entrepreneurial activity or directly in the equity capital or to elements recognized in another consolidated income.

(i) Current tax

Current tax is the tax amount subject to payment or receipt in relation to taxable profit or loss of the year, which is calculated applying the tax rates which have been valid or have been valid in essence by the reporting date and includes the verifications made in relation to taxes payable for the previous years.

(ii) Postponed tax

Postponed tax is recognized in relation to temporary differences between the balance sheet values of assets and liabilities used for the purposes of financial statements and the amounts used for tax purposes. Postponed tax is not recognized:

- For the temporary differences which arise in the transaction connected with the initial recognition of assets and liabilities, which is not a union of entrepreneurial activity and which does not have an impact on accounting or taxable profit or loss,
- For the temporary differences, which refer to the investments in subsidiary companies, to the extent the Group may control reversal terms of temporary differences and it is possible that they will not reverse in near future,
- For the taxable temporary differences which arise at the moment of initial recognition of goodwill.

Postponed tax assets are recognized in relation to unused tax damage, unused tax privileges and reducible temporary differences, to the extent possible, that future taxable profit will be available at the expense of which they may be used. The future taxable profit amount is determined based on the amount of corresponding taxable temporary differences subject to reversal.

Postponed tax assets are reviewed by each reporting date and are reduced to the extent it is not probable that corresponding tax compensation will be realized. These reductions are reversed, if the probability of the availability of future taxable profit increases.

The amount of postponed tax is measured applying the tax rates which are expected to be applied towards temporary differences upon reversal of the latter against temporary differences, taking as a basis the provisions of the laws, which have entered into force or have been in force in essence by the reporting date.

The measurement of postponed tax reflects the tax consequences which may arise, if the Group applies the approach, by which it expects to recover or to repay the balance sheet value of its assets and liabilities at the end of the reporting period.

(f) Reserves

Reserves are measured by the minimum of the initial value and net value of realization. The initial value of reserves is calculated by the principle of "first in, first out" and includes the expenditures of the procurement of reserves, production or exchange expenditures and other expenditures connected with their bringing to the current location and state. The net value of realization is the evaluated price of sale during ordinary activity, minus the expenditures evaluated for the addition and organization of sale.

(g) Fixed assets

(i) Recognition and measurement

The units of fixed assets are measured by the initial value, minus the accumulated depreciation and the losses from accumulated depreciation.

The initial value includes the expenditures directly attributable to the acquisition of the asset. The acquired computer program which is the inseparable part of the functionality of the corresponding equipment is capitalized as a part of the equipment.

When the unit of the fixed asset consists of big components with different terms of useful service, those components are registered as separate units of fixed assets (main components).

The profit or loss from the alienation of the fixed asset is determined by comparing the inputs received from alienation with the balance sheet value of the fixed asset and is recognized by net principle in the article "Other incomes/other expenses", in the profit or loss.

(ii) Future expenditures

Future expenditures are capitalized, when it is probable that future economic gains connected with those expenditures will flow to the Group.

Daily service expenditures of fixed assets are recognized in the profit or loss, as soon as they arise.

(iii) Depreciation

The calculation of the units of fixed assets starts from the moment of their installation and readiness for exploitation, and in case of assets built by personal efforts, from the moment of

ending its construction and readiness for exploitation. Depreciation is calculated based on the initial value of the asset, minus its assessed residual value.

As a rule, depreciation is recognized in the profit or loss, applying linear method during the assessed term of useful service of each part of fixed assets, as this method reflects more correctly the model of using future economic gains connected with the asset. The depreciation in relation to leased assets is calculated during the minimum of the term of lease and term of the useful service of the asset, except for cases, when it is known that the Group will acquire the ownership right of the asset at the end of the lease term.

Below are presented the assessed terms of the useful service of big components of fixed assets for current and comparable periods.

- Cash processing equipment 5 years
- Computers and office equipment 1-5 years
- Economic means 5 years
- Transportation means 5-10 years
- Improvements of leased fixed assets 5-20 years.

Depreciation calculation methods, useful service terms and residual values are reviewed by each reporting date and are being verified if needed.

(h) Intangible assets

(i) Goodwill

Goodwill which arises in the result of acquiring subsidiary organizations, is measured by the initial value, minus the losses from accumulated depreciation.

(ii) Other intangible assets

Other intangible assets which have a limited term of useful service, are measured by initial value, minus the accumulated amortization and the losses from accumulated depreciation.

(iii) Future expenditures

Future expenditures are capitalized only when they increase future economic gains related to the separate asset, to which they refer. All the expenditures, including the goodwill created within the Group and the firm names are recognized in the profit or loss, as soon as they arise.

(iv) Amortization

Amortization is calculated in relation to the initial value of the asset, minus its assessed residual value.

Amortization is recognized in the profit or loss, applying the linear method of calculation of intangible asset, except for the goodwill, during the assessed term of the useful service, as this method reflects the model of using future economic gains connected with the asset more correctly.

The terms of the assessed terms of useful service and for comparable periods are as follows:

- Computer programs 10 years
- Licenses 10 years

Amortization calculation methods, terms of useful service and residual values are reviewed at the end of each financial year and are being verified if needed.

(i) Financial instruments

The Group classifies non-derivative financial assets to the class of borrowings and accounts receivable.

The Group classifies the non-derivative financial liabilities to the class of other financial liabilities.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognizes the borrowings and accounts receivable on the day of their origination. The initial recognition of all other financial assets and financial liabilities takes place on the date of purchase and sale, when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes the financial asset, when the contractual rights towards the cash flows from financial asset lose their force or when transfers the contractual terms of receiving cash flows from financial asset in such a transaction, in which are transferred all the risks and compensations in essence, connected with the ownership of the financial asset. Participation in the transferred asset which was originated or kept by the Group, is recognized as a separate asset or liability.

The Group derecognizes the financial liability, when the liability mentioned in the contract is fulfilled or cancelled or invalidated. Financial assets and liabilities are offset, being reflected in the statement on financial status by net amount, only in case if the Group has a legally enforceable right to set off the recognized amounts, as well as an intention to realize the calculation by net principle or simultaneously to realize the asset and to repay the liability.

(ii) Non-derivative financial assets-measurement

Borrowings and accounts receivable

Borrowings and accounts receivable are fixed assets or assets with determinable payments, which are not quoted in the active market. These assets are initially recognized by the real value, plus all expenditures directly attributable to the transaction. After the initial recognition, the borrowings and accounts receivable are measured by amortization value, applying the method of effective interest rate, minus the losses from depreciation.

Borrowings and accounts receivable include the following classes of financial assets, commercial and other accounts receivable, provided borrowings, monetary means and their equivalents.

Monetary means and their equivalents

Monetary means and their equivalents are considered the residues of monetary means, the cash in the way and current bank accounts.

(iii) Non-derivative financial liabilities – measurement

The Group classifies the non-derivative liabilities to the class of other financial liabilities. The initial recognition of non-derivative financial liabilities takes place by the real value, minus all the expenditures directly attributable to the transaction. After the initial recognition, these financial liabilities are measured by amortization value, applying effective interest rate method. Other financial liabilities include loans and borrowings, other liabilities, commercial and other accounts payable.

(j) Shared capital

Ordinary shares

Ordinary shares are classified as equity capital. Additional expenditures directly attributable to the issuance of ordinary shares and share options are recognized as a reduction of equity capital without taxes.

Dividends

The ability of the Group to declare and pay dividends is regulated by the Legislation of the Republic of Armenia.

Dividends in relation to ordinary shares are reflected as a distribution of non-distributed profit in the period they are declared.

(k) Depreciation

(i) Non-derivative financial assets

The financial asset which is not measured by the real value, through profit or loss, is assessed by each reporting date, for the purpose of revealing objective evidence of depreciation. Financial asset is considered depreciated, if objective evidence shows that after the initial recognition of the asset a case of loss took place, and that case of loss had a negative impact on the future assessed cash flows of that financial asset, which may be reliably evaluated.

The objective evidence of depreciation of financial assets may include:

- The non-fulfillment of obligations or postponement of payments by the debtor,
- Such a reviewal of the terms of the amount payable to the Group, which the Group would not have observed in other circumstances.
- The signs of the bankruptcy of the debtor or the issuer,
- Negative changes of the status of the payments of the borrowers of the Group or the issuers,
- Economic conditions, which are related with the non-fulfillment of the obligations,

- Elimination of the active securities market, or
- Observable data, which evidence about the measurable reduction of the cash flows expected from the group of financial assets.

(ii) Financial assets measured by amortization value

The Group observes these assets by personal and collective principles of depreciation evidence. All separately taken significant assets are evaluated from the point of view of depreciation, by individual principle. In case of not revealing a separate evidence of depreciation, these assets are evaluated by collective principle, for the purpose of revealing a taken place, but not revealed depreciation evidence. The assets which are not significant separately, are evaluated by collective principle from the point of view of depreciation, grouping the assets with similar risk characteristics.

While assessing collective depreciation, the Group observes the previously available tendencies of non-fulfillment of obligations, repayment terms, amount of borne damage, which are verified taking into consideration the opinion of the management whether the current economic and credit conditions allow that the actual damage is more or less from the previously available ones offered deliberately.

The loss from the depreciation in relation to the financial asset is calculated as a difference between the balance sheet value of asset and the current value of assessed future flows of monetary means discounted by the initial effective interest rate of that asset. The loss amount is recognized in the profit or loss and is reflected in the reserve account. When the Group considers that there is no realistic possibility of compensating the asset, the corresponding amounts are written off. The Group continues recognizing the interests in relation to the depreciated asset by means of recovering the discount. If the case taken place in future brings to the reduction of the amount of loss from depreciation, and that reduction may be objectively attributable case taken place after the recognition of depreciation, then the reduction of the amount of the loss from depreciation is reversed through profit or loss.

(iii) Non-financial assets

The balance sheet value of non-financial assets of the Group, except for reserves and postponed tax assets, is reviewed by each reporting period, to determine whether there is any sign according to which the asset may be considered depreciated. If there is any such sign, the compensated amount of the asset is assessed. The compensated amount for intangible assets and goodwill having an unlimited term of useful service or not yet useful for exploitation is assessed each year at the same time.

For the purpose of checking the depreciation, the assets, the depreciation of which is not possible to assess by individual principle, are grouped to smallest groups of assets, which, in the result of continuous usage, generate cash inflows highly independent of other assets or cash generating unit. For the purpose of checking the goodwill depreciation, cash generating units, to which the goodwill was distributed, are united so that the level of checking the depreciation

reflects the lowest level, in which for internal management purposes the goodwill is subjected to monitoring. The goodwill acquired in the result of a union of entrepreneurial activity is distributed to the groups of cash generating units which are expected to receive gains from the synergies of a union of entrepreneurial activity.

The compensated amount of the archive or cash generating unit is defined as the maximum of the following two values: usage value and real value, minus sale expenses. While assessing the usage value, the assessed future cash flows are discounted up to the current value of the latter, using the discount rate before tax, which reflects the current valuation of the time value of money of that market and the risks specific to that asset or cash generating unit.

Loss from depreciation is recognized when the balance sheet value of the asset or its cash generating unit exceeds its assessed compensated amount.

Losses from depreciation are recognized in the profit or loss. The loss from the depreciation recognized in relation to cash generating units is distributed so that, at first, the balance sheet value of the goodwill distributed to cash generating unit (or a group of cash generating units) is reduced and then the balance sheet values of assets in the composition of that cash generating unit (a group of cash generating unit) proportionally.

The loss from the depreciation in relation to goodwill is not reversed. The loss from the depreciation recognized in the previous period in relation to other assets is assessed by each reporting date, to clarify whether there is any sign according to which the loss from depreciation was reduced or does not exist any more. The loss from depreciation is reversed only if there were changes in the valuations used while defining the compensated amount. The loss from depreciation is reversed only to the extent, which would be defined (without corresponding depreciation or amortization) if it would not have been recognized as loss from depreciation in relation to that asset.

(l) Reserves

Reserve is recognized when the Group, as a result of previous cases, has current legal or constructive liability which may be reliably assessed and it is possible that for the purpose of repaying that liability an outflow of economic gains will be required. Reserves are determined by discounting the future expected cash flows before taxation with the rate which reflects the temporary value of AMD in that market and special risks of that liability. Discount expense is recognized as financial expense.

(m) Leased assets

The Group leases a number of assets by operational lease. Leased assets are not recognized in the consolidated financial statement on the financial status of the Group.

(i) Payments in relation to lease

The payments made in relation to operational lease are recognized in the profit or loss, applying the linear method during the validity period of lease. The encouraging amounts received in relation to lease are recognized as constituent part of total payments made in relation to lease, during the validity period of lease.

(a) Comparable information

Comparable information was reclassified to ensure the compliance with the presentation changes of the current year. During 2017, the Group has made a change in the accounting policy to present the expenses by nature instead of the function in the consolidated statement on the profit or loss and on other consolidated results. The management considers that the presentation of expenses by nature allows providing more relevant information.

27. Not yet applied new standards and interpretations

A number of new standards, changes and interpretations of those standards are in force for the annual periods starting after January 1, 2017, and have not been applied while preparing these consolidated financial statements. The below presented from those standards and interpretations may have an impact on the activity of the Group. The Group intends to apply those standards and their changes, when the latter enter into force.

It is expected that the below presented standards will have significant impact on the consolidated financial statements of the Group during the period of initial application.

(a) IFRS 9 "Financial instruments"

IFRS 9 replaces "borne damage" model established by IAS 39 by "expected debt damage" model. The application of new model requires essential considerations on how economic factors affect the debt damage, which is determined by the evaluation of the probability of origination.

The new model of depreciation will be applied towards financial assets measured by depreciated value or by real value through other consolidated financial result, except for investments in share instruments, as well as towards contractual assets.

According to IFRS 9, reserves in relation to damage will be measured by any of the following principles:

- *Debt principle expected during 12 months:* This is the expected debt damage which arises in the result of non-fulfillment of liabilities in relation to financial instruments, which are possible during the following 12 months and
- *Debt damage expected during the whole period:* This is the expected debt damage which arises in the result of all possible cases of non-fulfillment of liabilities, which may take place during the whole period of expected validity of financial instrument.

The measurement of debt damage expected during the whole period is applied in case if, by the reporting date, the debt risk in relation to financial asset has significantly increased from the moment of initial recognition. Otherwise, the measurement of debt damage expected during 12 months shall be used. The Group may decide that the debt risk in relation to financial asset has not significantly increased, if the asset has low debt risk by the reporting date. However, the measurement of debt risk expected during the whole period is always applied for assets in relation to commercial accounts receivable and assets in relation to contracts not containing significant financial component.

By the estimation of the Group, the application of requirements regarding to depreciation established by IFRS 9 by January 1, 2018, will not bring to the recognition of additional significant losses from depreciation.

(i) Classification – Financial liabilities

IFRS 9 mainly keeps to the requirements of financial liabilities classification established by IAS 39.

However, according to IAS 39, all the changes of the real value of financial liabilities which are classified into the class of instruments measured by the real value through profit or loss, are recognized in the profit or loss, whereas according to IFRS 9, these changes of the real value are generally presented in the following way:

- The amount of the change of the real value attributable to debt risk changes in relation to liability is presented in another consolidated financial result, and
- The remaining amount of the change of the real value is presented in the profit or loss.

The Group has not foreseen any financial liability as an instrument measured by real value through profit or loss and currently does not have such an intention. By the estimation of the Group, by January 1, 2018 the classification of financial liabilities did not have significant influence on the financial statements.

(ii) Disclosures

According to IFRS 9, new detailed disclosures will be required especially in connection with the debt risk and the expected debt risk. During the assessment, the Group has made an analysis with the aim to disclose the missing information. The Group is in the process of the implementation of changes of systems and control mechanisms, which by the opinion of the Group will be necessary to ensure the availability of the required information.

(iii) Transition to new standard

The changes of accounting policy made in the result of applying IFRS 9, will be generally applied retrospectively, except for the presented cases.

The Group will make use of the exception which allows not recalculating the comparable data of the previous period in connection with the classification and measurement (including depreciation). The differences of balance sheet values of financial assets and financial liabilities arising in the result of applying IFRS 9, will be in general recognized in the non distributed profit or loss by January 1, 2018.

(b) IFRS 15 “Revenue in relation to contracts concluded with customers”

IFRS 15 standard establishes consolidated principles to define in which circumstances, in what extent will be recognized the revenue. The standard replaces the currently acting guidelines of

recognizing revenue, including the IAS 18 "Revenue", IAS 11 "Construction contracts" and IFRIC Interpretation 13 "Customer devotion programs" guidelines.

(f) Rendering services

The Group renders advertisement, support, maintenance and related services. If, within the frameworks of one agreement, the services are rendered in different reporting periods, compensation shall be distributed in proportion with the real value of different services. Currently, the revenue is recognized by the method of the level of completeness.

According to IFRS 15, the total amount of the compensation envisaged by service rendering contracts will be distributed to all rendered services, further to separate sales prices of the latter. Separate sale prices will be determined taking as a basis the pricelist prices, by which the Group sells services within the frameworks of separate transactions.

By the assessment of the Group, the real values of services and separate sales prices, in general, comply with each other. Therefore, the Group does not expect that the application of IFRS 15 will bring to significant differences within the terms of recognizing the revenue received from these services.

(ii) Commissions

In relation to gained commissions, the Group has decided that it acts as an Agent for certain transactions.

According to IFRS 15, the assessment will depend on the circumstance whether the Group controls certain goods before delivering them to end customer and not on the circumstance that it undertakes essential risks and compensations in relation to the sale of goods.

By the assessment of the Group, the application of IFRS 15 will not have a significant impact on the consolidated financial statements.

(iii) Transition to new standards

The Group intends to apply IFRS 15, by using cumulative influence method, recognizing the influence of initial application of the standard on the initial application date (that is: on January 1, 2018). Consequently, the Group will not apply the requirements of IFRS 15 for the comparable period presented in financial statements.

(c) IFRS 16 "Lease"

IFRS 16 replaces the established lease registration guidelines IAS 17 "Lease", IFRIC Interpretation 4 "Determination of availability of lease in agreements", SIC Interpretation 15 "Operational lease, encouraging conditions" and SIC Interpretation 27 "Assessment of the content of transactions including legal form of lease".


IFRS 16 will be valid on January 1, 2019 or for the annual period starting after it and may be applied prematurely, also with the condition of applying IFRS 15 on the initial application of date of IFRS 16.

IFRS 16 defines one balance sheet accounting model for lease. The Tenant recognizes the asset which constitutes usage right, which is the right of using the initial asset and liability in relation to lease, which is a liability for paying rental fees. Exclusions are foreseen for short-term lease and for the lease of units having low value. The current accounting approach is not changed for the Lessor, the Lessor continues to classify the lease to financial and operational classes.

The Group assesses the possible influence of applying IFRS 16 on its consolidated financial statements.

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 24857

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

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arial act password: 0JOGJ4



դիու հազար տասնութ թվականի սեպտեմբերի տասնինը

Հս. ՀՀ Երևան նոտարական տարածքի նոտար՝ ԱՏՈՄ ԳՐԻԳՈՐԻԻ ՀԱՅՐԱՊԵՏՅԱՆՍ, փափերացնում են տվյալ տեքստի հայերեն լեզվից անգլերեն լեզվով թարգմանչի ստորագրության իսկությունը:

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

Գրանցված է գրանցամատյանում թիվ 24857

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



Atom Grigori Hayrapetsyan
ԱՏՈՄ ԳՐԻԳՈՐԻԻ ՀԱՅՐԱՊԵՏՅԱՆ