

Urban Logistic Services CJSC

**Financial Statements
for the years ended
31 December 2015 and 2014**

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Independent Auditors' Report

To the shareholders of

Urban Logistic Services CJSC

We have audited the accompanying financial statements of Urban Logistic Services CJSC (the "Company"), which comprise the statement of financial position as at 31 December 2015, 31 December 2014 and 1 January 2014 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years ended 31 December 2015 and 31 December 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, 31 December 2014 and 1 January 2014 and its financial performance and its cash flows for the years ended 31 December 2015 and 31 December 2014 in accordance with International Financial Reporting Standards.



Tigran Gasparyan
Managing Partner, Director of KPMG Armenia cjsc

KPMG Armenia

KPMG Armenia cjsc
27 June 2016



Urban Logistic Services CJSC
Statements of Financial Position as at 31 December 2015, 31 December 2014 and 1 January 2014

'000 AMD	Note	31 December 2015	31 December 2014	1 January 2014
Assets				
Property, plant and equipment	8	5,645,790	5,691,520	2,982,136
Intangible assets		9,959	11,300	-
Prepayments for non-current assets		120,667	348,726	451,731
Value-added tax recoverable		497,632	387,527	118,036
Borrowings given	9	85,462	-	-
Non-current assets		6,359,510	6,439,073	3,551,903
Inventories		5,535	45,518	-
Trade and other receivables	10	72,728	7,457	1
Cash and cash equivalents		2,580	10,365	5,741
Current assets		80,843	63,340	5,742
Total assets		6,440,353	6,502,413	3,557,645
Equity				
	11			
Share capital		64,587	64,587	50
Share issue reserve		(64,537)	(64,537)	-
Additional paid-in capital		2,137,598	886,416	240,975
Accumulated loss		(1,320,683)	(490,875)	(19,497)
Total equity		816,965	395,591	221,528
Liabilities				
Loans and borrowings	12	2,239,279	943,342	1,731,937
Deferred tax liabilities	7	327,488	220,056	60,244
Non-current liabilities		2,566,767	1,163,398	1,792,181
Loans and borrowings	12	2,877,144	4,783,800	1,537,376
Trade and other payables	13	179,477	159,624	6,560
Current liabilities		3,056,621	4,943,424	1,543,936
Total liabilities		5,623,388	6,106,822	3,336,117
Total equity and liabilities		6,440,353	6,502,413	3,557,645

Urban Logistic Services CJSC
Statements of Profit or Loss and Other Comprehensive Income
for the years ended 31 December 2015 and 31 December 2014

'000 AMD	Note	2015	2014
Revenue	5	197,787	18,210
Depreciation and amortization expense		(259,699)	(48,185)
Personnel expense		(123,052)	(4,008)
Utility expense		(74,406)	(14,099)
Other operating income		5,615	-
Other operating expenses		(78,162)	(47,242)
Loss from operating activities		(331,917)	(95,324)
Finance income	6	10,692	1,843
Finance cost	6	(716,775)	(379,445)
Net finance costs		(706,083)	(377,602)
Loss before income tax		(1,038,000)	(472,926)
Income tax benefit	7	208,192	1,548
Loss and total comprehensive loss for the year		(829,808)	(471,378)

These financial statements were approved by management on 27 June 2016 and were signed on its behalf by:

Vahe Petrosyan
Director




Vahan Farmanyan
Chief Accountant

Urban Logistic Services CJSC
Statements of Changes in Equity for the years ended 31 December 2015 and 31 December 2014

'000 AMD	Share capital	Share issue reserve	Additional paid-in capital	Accumulated loss	Total
Balances as at 1 January 2014	50	-	240,975	(19,497)	221,528
Total comprehensive income					
Loss and total comprehensive loss for the year	-	-	-	(471,378)	(471,378)
Transactions with owners					
Initial discount on low interest loans and borrowings net of deferred tax of AMD 161,360 thousand	-	-	645,441	-	645,441
Increase in share capital	64,537	(64,537)	-	-	-
Balances as at 31 December 2014	64,587	(64,537)	886,416	(490,875)	395,591
Balances as at 1 January 2015	64,587	(64,537)	886,416	(490,875)	395,591
Total comprehensive income					
Loss and total comprehensive loss for the year	-	-	-	(829,808)	(829,808)
Transactions with owners					
Initial discount on low interest loans and borrowings net of deferred tax of AMD 330,760 thousand	-	-	1,323,041	-	1,323,041
Reversal of additional paid in capital for early repaid loan	-	-	(11,316)	-	(11,316)
Initial discount on low interest borrowings given net of deferred tax of AMD 15,136 thousand	-	-	(60,543)	-	(60,543)
Balances as at 31 December 2015	64,587	(64,537)	2,137,598	(1,320,683)	816,965

Urban Logistic Services CJSC
Statements of Cash Flows for the years ended 31 December 2015 and 31 December 2014

'000 AMD	2015	2014
OPERATING ACTIVITIES		
Cash receipts from customers	140,204	14,400
Cash paid to suppliers and employees	(208,574)	(22,523)
Other taxes paid	(36,833)	(2,005)
Cash flows used in operating activities	(105,203)	(10,128)
INVESTING ACTIVITIES		
Construction and purchase of property, plant and equipment	(247,445)	(2,273,574)
Purchase of intangible assets	(3,350)	(8,400)
Cash flows used in investing activities	(250,795)	(2,281,974)
FINANCING ACTIVITIES		
Proceeds from borrowings	944,559	2,569,659
Repayments of borrowings	(285,194)	-
Interest paid	(311,137)	(272,511)
Cash flows from financing activities	348,228	2,297,148
Net increase in cash and cash equivalents	(7,770)	5,046
Effect of exchange rate fluctuations on cash and cash equivalents	(15)	(422)
Cash and cash equivalents at 1 January	10,365	5,741
Cash and cash equivalents at 31 December	2,580	10,365

1. Reporting entity

(a) Business environment

The Company's operations are located in Armenia. Consequently, the Company is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia. The financial statements reflect management's assessment of the impact of the Armenian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

(b) Organisation and operations

Urban Logistic Services CJSC (the "Company") is an Armenian closed joint stock company as defined in the Civil Code of the Republic of Armenia. The Company was established in accordance with the legislation of the Republic of Armenia in February 2010 as Urban Logistic Services LLC. In April 2014 the Company was reorganized from limited liability company into closed joint stock company.

On 30 October 2013 the Company acquired 99% of the ordinary shares of Urban Industries CJSC. This transaction has been accounted for as acquisition of assets as the acquiree did not constitute a business. On 30 June 2014 Urban Industries CJSC was merged with the Company.

The Company's registered office is 2/1 Proshyan Street, Area 18, Yerevan, Republic of Armenia.

The Company's principal activities are provision of storage spaces for rent and performing logistic services.

As at 31 December 2015 the Company's shareholders are Vahe Petrosyan (19.9%), Lusine Amirkhanyan (19.99%), Armine Mnatsakanyan (19.99%), Feliqs Shmavonyan (19.99%), Arthur Hovsepyan (19.99%), Artyom Chakhalyan (0.1%).

The Company is ultimately controlled by a single individual, Vahe Petrosyan, who has the power to direct the transactions of the Company at his own discretion and for his own benefit.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). These are the Company's first complete set of IFRS financial statements which have been prepared following the requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards (IFRSs)*, with the adoption date being 1 January 2014. The Company has not presented transition from previous GAAP to IFRS as the Company has not presented financial statements for previous periods under any other financial reporting framework.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

The national currency of Armenia is the Armenian Dram ("AMD"), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in AMD has been rounded to the nearest thousand, except when otherwise indicated.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the note 12 – related to the breach of loan covenants and note 14(b) – related to the recoverability of trade receivables.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 14 – financial instruments and risk management.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Certain comparative amounts have been reclassified as part of the preparation of the first full set of IFRS financial statements of the Company.

(a) Revenue

Services

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss.

(c) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise trade and other receivables and cash and cash equivalents.

The Company classifies non-derivative financial assets into the loans and receivables category.

The Company initially recognises loans and receivables on the date that they are originated.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(ii) *Non-derivative financial liabilities*

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

Financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) *Share capital*

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(d) *Property, plant and equipment*

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives of significant items of property, plant and equipment are as follows:

- | | |
|-------------------------------------|--------------|
| • Buildings | 20 years |
| • Furniture, fixtures and equipment | 5 - 20 years |
| • Motor vehicles | 5 years |

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(e) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

The estimated useful life for the current and comparative periods is 5 years for software.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Company's statement of financial position.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company and economic conditions that correlate with defaults.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(k) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised in the statement of financial position.

(l) Other expenses

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(m) Finance income and costs

Finance income comprises foreign currency gains and interest income.

Finance costs comprise foreign currency losses and interest expenses.

Interest income or expense is recognised using the effective interest method.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4. New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2015, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Company's operations. The Company plans to adopt these pronouncements when they become effective.

New or amended standard	Summary of the requirements	Possible impact on financial statements
IFRS 9 <i>Financial Instruments</i>	<p>IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.</p> <p>IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.</p>	The Company has not yet analysed the likely impact of the new Standard on its financial position or performance.
IFRS 15 <i>Revenue from Contracts with Customers</i>	<p>IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 <i>Revenue</i>, IAS 11 <i>Construction Contracts</i> and IFRIC 13 <i>Customer Loyalty Programmes</i>.</p> <p>The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements.</p> <p>IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.</p>	The Company has not yet analysed the likely impact of the new Standard on its financial position or performance.

New or amended standard	Summary of the requirements	Possible impact on financial statements
IFRS 16 <i>Leases</i>	<p>IFRS 16 replaces the existing lease accounting guidance in IAS 17 <i>Leases</i>, IFRIC 4 <i>Determining whether an Arrangement contains a lease</i>, SIC-15 <i>Operating Leases – Incentives</i> and SIC-27 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.</p> <p>Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.</p> <p>IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 <i>Revenue from Contracts with Customers</i> is also adopted.</p>	The Company has not yet analysed the likely impact of the new Standard on its financial position or performance.

5. Revenue

'000 AMD	2015	2014
Storage and in-storage services	167,663	18,210
Rent income	30,124	-
Total revenues	197,787	18,210

6. Finance income and finance costs

'000 AMD	2015	2014
Interest income on borrowings given	10,692	-
Interest income on bank deposits	-	1,843
Finance income	10,692	1,843
Interest expense on loans and borrowings	(603,731)	-
Impairment loss on trade and other receivables	(40,109)	-
Net foreign exchange loss	(72,935)	(379,445)
Finance costs	(716,775)	(379,445)
Net finance costs recognised in profit or loss	(706,083)	(377,602)

7. Income tax

The Company's applicable tax rate is the income tax rate of 20% for Armenian companies.

'000 AMD	2015	2014
Deferred tax benefit		
Origination and reversal of temporary differences	186,492	1,548
Recognition of previously unrecognised tax losses	21,700	-
Total income tax benefit	208,192	1,548

Reconciliation of effective tax rate:

	2015		2014	
	'000 AMD	%	'000 AMD	%
Loss before income tax	(1,038,000)	100%	(472,926)	100%
Tax at applicable tax rate	207,600	20%	94,585	20%
Recognition of tax effect of previously unrecognised tax losses	21,700	(2%)	-	-
Non-deductible expenses	(21,108)	2%	(93,037)	(20%)
	208,192	20%	1,548	-

Recognised deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 December 2015 and 31 December 2014.

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
	31 December 2015	31 December 2014	1 January 2014	31 December 2015	31 December 2014	1 January 2014	31 December 2015	31 December 2014	1 January 2014
'000 AMD									
Property, plant and equipment	-	-	-	(40,232)	(62,944)	-	(40,232)	(62,944)	-
Borrowings given	12,997	-	-	-	-	-	12,997	-	-
Trade and other receivable	8,022	-	-	-	-	-	8,022	-	-
Loans and borrowings	-	-	-	(451,595)	(171,586)	(60,244)	(451,595)	(171,586)	(60,244)
Tax loss carry-forwards	143,320	14,474	-	-	-	-	143,320	14,474	-
Tax assets/(liabilities)	164,339	14,474	-	(491,827)	(234,350)	(60,244)	(327,488)	(220,056)	(60,244)

Movement in temporary differences during the year

	31 December 2014	Recognised in profit or loss	Recognised directly in equity	31 December 2015
'000 AMD				
Property, plant and equipment	(62,944)	22,712	-	(40,232)
Borrowings given	-	(2,139)	15,136	12,997
Trade and other receivable	-	8,022	-	8,022
Loans and borrowings	(171,586)	50,751	(330,760)	(451,595)
Tax loss carry-forwards	14,474	128,846	-	143,320
Tax assets/(liabilities)	(220,056)	208,192	(315,624)	(327,488)

	1 January 2014	Recognised in profit or loss	Recognised directly in equity	31 December 2014
'000 AMD				
Property, plant and equipment	-	(62,944)	-	(62,944)
Loans and borrowings	(60,244)	50,018	(161,360)	(171,586)
Tax loss carry-forwards	-	14,474	-	14,474
Tax assets/(liabilities)	(60,244)	1,548	(161,360)	(220,056)

As at 31 December 2015 tax loss carry-forwards amount to AMD 716,598 thousand from which AMD 180,895 thousand and AMD 535,703 thousand are expiring in 2019 and 2020 respectively.

8. Property, plant and equipment

'000 AMD	Land and buildings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
Cost					
Balance at 1 January 2014	-	-	20,333	2,962,304	2,982,637
Additions	2,049,372	483,467	-	224,730	2,757,569
Transfer	2,962,304	-	-	(2,962,304)	-
Balance at 31 December 2014	5,011,676	483,467	20,333	224,730	5,740,206
Balance at 1 January 2015	5,011,676	483,467	20,333	224,730	5,740,206
Additions	17,974	85,005	-	106,298	209,277
Transfer	-	72,575	-	(72,575)	-
Balance at 31 December 2015	5,029,650	641,047	20,333	258,453	5,949,483
Depreciation					
Balance at 1 January 2014	-	-	501	-	501
Charge for the year	25,799	17,811	4,575	-	48,185
Balance at 31 December 2014	25,799	17,811	5,076	-	48,686
Balance at 1 January 2015	25,799	17,811	5,076	-	48,686
Charge for the year	172,227	79,215	3,565	-	255,007
Balance at 31 December 2015	198,026	97,026	8,641	-	303,693
Carrying amounts					
At 1 January 2014	-	-	19,832	2,962,304	2,982,136
At 31 December 2014	4,985,877	465,656	15,257	224,730	5,691,520
At 31 December 2015	4,831,624	544,021	11,692	258,453	5,645,790

There are no capitalized borrowing related to the acquisition of land and construction of the storage facilities (2014: AMD 592,431 thousand). All the land and buildings are pledged to secure bank loans.

9. Borrowings given

This note provides information about the contractual terms of the Company's borrowings given, which are measured at amortised cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 14.

Terms and conditions of outstanding borrowings were as follows:

	Currency - nominal interest rate	Year of maturity	31 December 2015		31 December 2014	
			Face value	Carrying amount	Face value	Carrying amount
'000 AMD						
Unsecured borrowings to related party	AMD, 0%	2019	150,450	85,462	-	-
Total			150,450	85,462	-	-

Upon initial recognition interest free borrowings to related party are discounted using market interest rates and the resulting difference between the fair value and the nominal amount is recognized as a deduction from additional paid-in capital.

The market interest rate was estimated at 15%, which was the average interest rate for similar borrowings at the issuance date.

10. Trade and other receivables

	2015	2014
'000 AMD		
Trade receivables	108,704	7,457
Impairment allowance for trade receivables	(40,109)	-
Prepayments given	4,133	-
	72,728	7,457

As at 31 December 2015 the Company has one counterparty (2014: two), whose balances exceeded 10% of the total trade receivables. The total value of these balances as of 31 December 2015 was AMD 20,020 thousand.

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 14.

11. Equity

(a) Share capital and share issue reserve

Share capital comprises 129,173 shares with a nominal value of AMD 500 per share. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

In 2014 the Company issued 129,073 shares without consideration and the resulting offset was recorded as share issue reserve.

(b) Additional paid in capital

Additional paid-in capital represents benefits provided by the shareholders and related parties of shareholders in the form of low interest rate loans representing the difference between the fair value of the loans at initial recognition and the loaned amounts (see note 12).

(c) Dividends

In accordance with Armenian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRSs.

12. Loans and borrowings

This note provides information about the contractual terms of the Company's loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 14.

Terms and conditions of outstanding loans were as follows:

'000 AMD	Currency - nominal interest rate	Year of maturity	31 December 2015		31 December 2014	
			Face value	Carrying amount	Face value	Carrying amount
Secured bank loan 1	USD, 11%	On demand	1,438,572	1,438,572	1,416,393	1,416,393
Secured bank loan 2	USD, LIBOR+11.7498%, but not less than 12%	On demand	1,438,572	1,438,572	1,416,393	1,416,393
Loan from related party 1	AMD, 0%	2020	4,451,258	2,211,368	2,092,000	1,951,014
Loan from related party 2	AMD, 0%	2020	27,000	15,426	-	-
Loan from related party 3	AMD, 0%	2018	18,996	12,485	36,996	36,996
Loan from related party 4	USD, 0%	2018	-	-	2,521	2,521
Loan from related party 5	AMD, 0%	2018	-	-	720,100	371,861
Loan from related party 6	AMD, 0%	2018	-	-	934,600	531,964
Total			7,374,398	5,116,423	6,619,003	5,727,142

Upon initial recognition interest free loans from related parties are discounted using market interest rates and the resulting difference between the fair value and the nominal amount is recognized in additional paid-in capital net of deferred tax.

The market interest rate was estimated at 15% which was the average interest rate for similar loans at the loan issuance date.

With respect to secured bank loans, the Company has breached loan covenants in 2015 relating to project's completion date, revenues, EBITDA and debt service ratios. As a result of the breach, the lender has a right to request repayment on demand. As such the Company has classified the loans as current. As of the date these financial statements were authorised for issue the Company had obtained a waiver from the lender in relation to the breached covenants confirming that the lender will not recall the loans within the twelve months after 31 December 2015. Based on this as well as based on cash flow projections management concluded that there is no material uncertainty in relation to the Company's ability to continue as a going concern.

13. Trade and other payables

'000 AMD	2015	2014
Payables for acquisition of property, plant and equipment	145,246	110,573
Trade payables	22,802	23,968
Other payables	11,429	25,083
Total trade and other payables	179,477	159,624

14. Financial instruments and risk management

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The management has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables, borrowings given and bank balances.

The carrying amount of financial assets represents the maximum credit risk exposure.

Trade receivables

As the trade and other receivables relate mainly to the Company's wholesale or end-user corporate customers, the Company monitors the credit risk individually by assessing the creditworthiness of each customer based on the ageing profile, industry, maturity and existence of previous financial difficulties.

There is no formal credit policy for the assessment of creditworthiness of the customers, however the management believes that there is no significant risk of loss to the Company as the most part of the customers are well known to management.

The Company does not require collateral in respect of trade and other receivables. The Company has no history of significant losses in relation to trade receivables.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

'000 AMD	Carrying amount	
	2015	2014
Domestic	68,595	7,457

Impairment losses

The ageing of trade and other receivables that were not impaired at the reporting date was as follows:

'000 AMD	2015	2014
Not past due	31,481	7,457
Past due 0- 30 days	19,171	-
Past due 31-120 days	17,943	-
	68,595	7,457

The management believes that the Company will not incur significant impairment losses in relation to the trade receivables.

Borrowings given

Borrowings given of AMD 85,462 thousand at 31 December 2015 represent the amortized cost of interest free borrowings given initially recognized at fair value. The face value of the exposure is AMD 150,450 thousand. The borrowings are given to a related party and the Company does not expect the counterparty to fail to meet its obligations.

Cash and cash equivalents and bank deposits

The Company held cash and cash equivalents of AMD 2,580 thousand at 31 December 2015 (2014: AMD 10,365 thousand), which represent its maximum credit exposure on these assets. The cash and cash equivalents are held with the largest five Armenian banks. The Company does not expect any bank to fail to meet its obligations.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

31 December 2015 '000 AMD	Carrying amount	Contractual cash flows	On demand and less than 1 months	2-12 months	2-5 years
Non-derivative financial liabilities					
Loans and borrowings	5,116,423	7,374,398	2,877,144	-	4,497,254
Trade and other payables	168,048	168,048	123,843	44,205	-
	5,284,471	7,542,446	3,000,987	44,205	4,497,254

31 December 2014 '000 AMD	Carrying amount	Contractual cash flows	On demand and less than 1 months	2-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Loans and borrowings	5,727,142	6,619,003	2,832,786	2,092,000	-	1,694,217
Trade and other payables	159,624	159,624	95,730	62,787	1,107	-
	5,886,766	6,778,627	2,928,516	2,154,787	1,107	1,694,217

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Company is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the functional currency of the Company. The currency in which these transactions primarily are denominated is USD.

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

'000 AMD	USD-denominated	USD-denominated
	31 December 2015	31 December 2014
Loans and borrowings	(2,877,144)	(2,835,307)
Net exposure	(2,877,144)	(2,835,307)

Sensitivity analysis

A reasonably possible strengthening (weakening) of the AMD, as indicated below, against the USD would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

'000 AMD	Strengthening		Weakening	
	Equity	Profit or loss	Equity	Profit or loss
31 December 2015				
AMD (10% movement)	287,714	287,714	(287,714)	(287,714)
31 December 2014				
AMD (10% movement)	283,531	283,531	(283,531)	(283,531)

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Company over the expected period until maturity.

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss net of taxes by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

'000 AMD	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2015	(11,562)	11,562	(11,562)	11,562
31 December 2014	(14,164)	14,164	(14,164)	14,164

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

(e) Fair values

The fair values of financial instruments of the Company approximate to their carrying amounts.

(f) Capital management

The Company has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Company's operational and strategic needs, and to maintain confidence of market participants.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

15. Contingencies

(a) Litigation

In the ordinary course of business, the Company is subject to legal actions, litigations and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

(b) Taxation contingencies

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

16. Related party transactions

(a) Control relationships

As at 31 December 2015 the Company's ultimate controlling party is Vahe Petrosyan. The Company's shareholders are detailed in note 1.

(b) Transactions with key management personnel

Key management remuneration

Key management received the following remuneration during the year, which is included in personnel costs.

'000 AMD	2015	2014
Salaries and bonuses	25,824	807

(c) Transactions with related parties of shareholders

'000 AMD	Transaction amount		Outstanding balance asset/(liability)	
	2015	2014	31 December 2015	31 December 2014
Loans and borrowings	757,658	1,654,700	(2,239,279)	(2,894,356)
Interest expense	276,831	314,719	-	-
Construction services purchased	-	1,022,333	-	-
Borrowings given	150,450	-	85,462	-
Revenue from rent	21,600	-	21,600	-
Interest income	10,691	-	-	-
Rent expense	15,000	-	-	-