

GNC-ALFA CJSC

**Financial Statements
for 2017**

Contents

Independent Auditors' Report	3
Statement of Financial Position	5
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9



KPMG Armenia cjsc
8th floor, Erebuni Plaza Business Center,
26/1 Vazgen Sargsyan Street
Yerevan 0010, Armenia
Telephone + 374 (10) 566 762
Fax + 374 (10) 566 762
Internet www.kpmg.am

Independent Auditors' Report

The Board of Directors
GNC-ALFA CJSC

Opinion

We have audited the financial statements of GNC-ALFA CJSC (the "Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors' report is:

Tigran Gasparyan
Managing Partner, Director of KPMG Armenia cjsc

KPMG Armenia cjsc

KPMG Armenia cjsc
24 May 2018



'000 AMD	Note	2017	2016
Assets			
Property, plant and equipment	10	10,967,319	11,426,223
Intangible assets	11	666,210	781,434
Deferred tax assets	9	694,654	587,837
Prepayments for non-current assets		34,896	37,814
Total non-current assets		12,363,079	12,833,308
Inventories		68,531	76,518
Trade and other receivables	12	871,584	1,154,808
Current tax assets		7,000	7,000
Cash and cash equivalents	13	177,873	30,964
Total current assets		1,124,988	1,269,290
Total assets		13,488,067	14,102,598
Equity			
Share capital		1,000,000	1,000,000
Accumulated losses		(7,252,298)	(6,358,336)
Total equity	14	(6,252,298)	(5,358,336)
Liabilities			
Deferred revenue and prepayments received, non-current portion	16	1,074,215	1,409,017
Total non-current liabilities		1,074,215	1,409,017
Bank overdrafts	13	-	79,877
Deferred revenue and prepayments received, current portion	16	363,234	360,491
Loans and borrowings	17	17,266,311	16,561,302
Trade and other payables	18	1,036,605	1,050,247
Total current liabilities		18,666,150	18,051,917
Total liabilities		19,740,365	19,460,934
Total equity and liabilities		13,488,067	14,102,598

GNC-ALFA CJSC
Statement of Changes in Equity for the year ended 31 December 2017

'000 AMD	Share capital	Accumulated losses	Total
Balance at 1 January 2016	1,000,000	(5,069,764)	(4,069,764)
Total comprehensive loss			
Loss for the year	-	(1,288,572)	(1,288,572)
Total comprehensive loss for the year	-	(1,288,572)	(1,288,572)
Balance at 31 December 2016	1,000,000	(6,358,336)	(5,358,336)
Balance at 1 January 2017	1,000,000	(6,358,336)	(5,358,336)
Total comprehensive loss			
Loss for the year	-	(893,962)	(893,962)
Total comprehensive loss for the year	-	(893,962)	(893,962)
Balance at 31 December 2017	1,000,000	(7,252,298)	(6,252,298)

‘000 AMD	2017	2016
Cash flow from operating activities		
Cash receipts from customers	7,095,927	6,117,745
Cash paid to suppliers and employees	(4,037,155)	(3,745,823)
Payments for taxes other than on income	(783,374)	(398,751)
Cash generated from operating activities	2,275,398	1,973,171
Interest paid	(790,944)	(972,484)
Net cash flows from operating activities	1,484,454	1,000,687
Cash flows from investing activities		
Interest received	572	62
Proceeds from sale of property, plant and equipment	8,442	2,478
Acquisition of property, plant and equipment	(1,706,557)	(1,513,366)
Acquisition of intangible assets	(28,424)	(248,701)
Net cash flows used in investing activities	(1,725,967)	(1,759,527)
Cash flows from financing activities		
Proceeds from borrowings	6,013,801	4,181,948
Repayment of borrowings	(5,542,149)	(3,350,747)
Net cash flows from financing activities	471,652	831,201
Net increase in cash and cash equivalents	230,139	72,361
Effect of exchange rate fluctuations on cash and cash equivalents	(3,353)	(3,035)
Impairment loss on cash and cash equivalents	-	(35,616)
Cash and cash equivalents as of 1 January	(48,913)	(82,623)
Cash and cash equivalents as of 31 December (note 13)	177,873	(48,913)