

International Energy Corporation CJSC

**International Financial Reporting Standards
Financial Statements and
Independent Auditor's Report**

31 December 2017



Independent Auditor's Report

To the Shareholders and Board of Directors of International Energy Corporation CJSC

Our qualified opinion

In our opinion, except for the possible effects of the matters described in the *Basis for qualified opinion* section of our report, the financial statements present fairly, in all material respects, the financial position of International Energy Corporation CJSC (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).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

Within the line item "Trade and other receivables" there is AMD 234,976 thousand of advances paid and receivable from related parties as at 31 December 2017, which as stated in Note 31 "Balances and Transactions with Related Parties" is in respect of key management remuneration. AMD 199,430 thousand of these advances are outstanding since before 2017. There are no contracts or documentation to support the basis for these payments. We have been unable to perform appropriate audit procedures to determine the nature of and the completeness and accuracy of such payments. We have therefore been unable to determine should these payments be treated as an expense or as a receivable, and if they are a receivable, we have been unable to determine the need for any impairment provision, that may be required at 31 December 2017. In the absence of such information, we were unable to satisfy ourselves as to appropriateness of and the carrying amount of trade and other receivables as at 31 December 2017 and the completeness and accuracy of related party disclosures.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

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 of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the financial statements in the Republic of Armenia. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.



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.

Auditor's 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 auditor's 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 judgement 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 auditor's 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 auditor's 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.



Altaf Tapia
Managing Partner



Mariana Ghukasyan
Auditor


PricewaterhouseCoopers Armenia LLC

27 June 2018
Yerevan, Republic of Armenia

International Energy Corporation CJSC
Statement of Financial Position

<i>In thousands of Armenian Drams</i>	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	30,810,211	30,014,743
Intangible assets	8	17,552	5,163
Prepayments for non-current assets	9	580,453	713,710
Value-added tax receivable		680,232	1,215,001
Total non-current assets		32,088,448	31,948,617
Current assets			
Inventories	10	316,478	296,776
Current income tax prepayments		135,606	-
Trade and other receivables	11	933,807	879,041
Term deposits	12	727,618	931,924
Cash and cash equivalents	13	90,236	1,079,224
Total current assets		2,203,745	3,186,965
TOTAL ASSETS		34,292,193	35,135,582
EQUITY			
Share capital	14	585,650	585,650
Revaluation reserve		9,258,477	9,259,550
Accumulated deficit		(4,915,060)	(4,819,587)
TOTAL EQUITY		4,929,067	5,025,613
LIABILITIES			
Non-current liabilities			
Loans and borrowings	15	22,137,214	23,633,423
Deferred income tax liability	25	267,906	19,919
Value-added tax payable		680,232	1,215,001
Total non-current liabilities		23,085,352	24,868,343
Current liabilities			
Loans and borrowings	15	3,233,508	3,103,865
Current income tax payable		-	64,203
Trade and other payables	16	2,624,266	2,073,558
Provisions for other liabilities	17	420,000	-
Total current liabilities		6,277,774	5,241,626
TOTAL LIABILITIES		29,363,126	30,109,969
TOTAL LIABILITIES AND EQUITY		34,292,193	35,135,582

Approved for issue and signed on 27 June 2018.

 <hr/> R. V. Zorabyants General Director	 <hr/> A. M. Mkhitryan Deputy General Director of Economics and Finance	 <hr/> L. G. Melqonyan Chief Accountant
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International Energy Corporation CJSC
Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Armenian Drams</i>	Note	2017	2016
Revenue	18	6,368,030	4,491,273
Cost of sales	19	(3,050,330)	(2,496,785)
Gross profit		3,317,700	1,994,488
Other operating income	20	167,916	143,389
General and administrative expenses	21	(1,009,604)	(947,683)
Other operating expenses	22	(1,070,933)	(122,963)
Operating profit		1,405,079	1,067,231
Finance income	23	17,844	216,473
Finance costs	24	(1,271,482)	(1,029,761)
Profit before income tax		151,441	253,943
Income tax expense	25	(247,987)	(81,170)
(LOSS)/PROFIT FOR THE YEAR		(96,546)	172,773
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(96,546)	172,773

International Energy Corporation CJSC
Statement of Changes in Equity

	Share capital	Revaluation reserve for property, plant and equipment	Accumulated deficit	Total equity
<i>In thousands of Armenian Drams</i>				
At 1 January 2016	585,650	9,299,609	(5,032,419)	4,852,840
Total comprehensive income for 2016	-	-	172,773	172,773
Disposal of property, plant and equipment	-	(40,059)	40,059	-
Balance at 31 December 2016	585,650	9,259,550	(4,819,587)	5,025,613
Total comprehensive loss for 2017	-	-	(96,546)	(96,546)
Disposal of property, plant and equipment	-	(1,073)	1,073	-
Balance at 31 December 2017	585,650	9,258,477	(4,915,060)	4,929,067

International Energy Corporation CJSC
Statement of Cash Flows

<i>In thousands of Armenian Drams</i>	Note	2017	2016
Cash flows from operating activities			
Profit before income tax		151,441	253,943
Adjustments for:			
Depreciation and amortisation	19,21	1,352,742	916,167
Losses less gains on disposal of property, plant and equipment	22	4,380	11,931
Interest income	23	(17,844)	(173,067)
Interest expenses	24	1,001,980	1,029,761
Change in provision for slow moving inventory		(31,680)	4,775
Change in provisions for other liabilities	17	420,000	-
Foreign exchange losses less gains/(gains less losses)	23,24	269,502	(43,406)
Operating cash flows before working capital changes		3,150,521	2,000,104
Increase in trade and other receivables		(206,123)	(271,252)
Decrease in inventories		20,175	15,045
Increase in trade and other payables		59,218	53,170
Changes in working capital		(126,730)	(203,037)
Interest paid		(1,237,447)	(1,125,017)
Interest income received		25,636	307,912
Income taxes paid		(64,772)	(190,100)
Net cash from operating activities		1,747,208	789,862
Cash flows from investing activities			
Purchase of property, plant and equipment		(948,183)	(5,793,619)
Placement of term deposits		(2,319,970)	(5,341,070)
Repayment of matured term deposits		2,519,283	10,802,643
Net cash used in investing activities		(748,870)	(332,046)
Cash flows from financing activities			
Repayment of borrowings		(1,998,449)	(406,131)
Net cash used in financing activities		(1,998,449)	(406,131)
Effect of exchange rate changes on cash and cash equivalents		11,123	(117,065)
Cash and cash equivalents at the beginning of the year	13	1,079,224	1,144,604
Cash and cash equivalents at the end of the year	13	90,236	1,079,224