

International Energy Corporation CJSC

Financial Statements for 2018



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Independent Auditors' Report

To the Shareholders of International Energy Corporation CJSC

Qualified Opinion

We have audited the financial statements of International Energy Corporation CJSC (the "Company"), which comprise the statement of financial position as at 31 December 2018, 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, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

As at 31 December 2018 the Company performed a revaluation of property, plant and equipment. We did not agree with some of the assumptions used for estimating the depreciated replacement cost of certain items of property, plant and equipment resulting in the underestimation of the depreciated replacement cost of those items. Consequently we were unable to determine whether adjustments might have been necessary in respect of impairment losses and revaluation gains recognized in respect of property, plant and equipment and related taxes in the statements of profit or loss and other comprehensive income for the year ended 31 December 2018.

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 qualified 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 skepticism 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 LLC


KPMG Armenia LLC

KPMG Armenia LLC
23 April 2019

International Energy Corporation CJSC
Statement of Financial Position as at 31 December 2018

'000 AMD	Note	31 December 2018	31 December 2017*
Assets			
Property, plant and equipment	13	27,803,599	30,810,211
Intangible assets		14,091	17,552
Prepayments for non-current assets		-	580,453
Value-added tax receivable		-	680,232
Deferred tax assets	12	507,030	-
Non-current assets		28,324,720	32,088,448
Inventories	14	389,411	316,478
Trade and other receivables	15	694,075	933,807
Current tax assets		-	135,606
Bank deposits	16	402,885	727,618
Cash and cash equivalents	17	70,349	90,236
Current assets		1,556,720	2,203,745
Total assets		29,881,440	34,292,193
Equity			
Share capital	18	585,650	585,650
Revaluation surplus	18	20,661,828	9,258,477
Accumulated losses		(17,269,316)	(4,915,060)
Total equity		3,978,162	4,929,067
Liabilities			
Loans and borrowings	19	20,084,525	22,137,214
Deferred tax liabilities	12	-	267,906
Value-added tax payable		-	680,232
Non-current liabilities		20,084,525	23,085,352
Loans and borrowings	19	3,454,329	3,233,508
Trade and other payables	20	2,202,667	2,624,266
Current tax liability	20	161,757	-
Provisions	21	-	420,000
Current liabilities		5,818,753	6,277,774
Total liabilities		25,903,278	29,363,126
Total equity and liabilities		29,881,440	34,292,193


* The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 5.

International Energy Corporation CJSC
Statement of Profit or Loss and Other Comprehensive Income for 2018

'000 AMD	Note	2018	2017*
Revenue	6	6,300,453	6,501,310
Cost of sales	7	(2,688,888)	(3,018,650)
Gross profit		3,611,565	3,482,660
Other income	8	1,824,914	2,956
Administrative expenses	9	(843,471)	(1,009,604)
Other expenses	10	(18,823,863)	(1,070,933)
Impairment loss on trade and other receivables		(234)	-
Results from operating activities		(14,231,089)	1,405,079
Finance income	11	118,326	17,844
Finance costs	11	(1,665,915)	(1,271,482)
(Loss)/profit before income tax		(15,778,678)	151,441
Income tax benefit/(expense)	12	3,424,955	(247,987)
Loss for the year		(12,353,723)	(96,546)
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Revaluation of property, plant and equipment	13	14,207,938	-
Related income tax	12	(2,804,587)	-
Other comprehensive income, net of income tax		11,403,351	-
Total comprehensive loss for the year		(950,372)	(96,546)

* The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. As a result of adoption of IFRS 15 the Company changed presentation of certain captions. Comparative information is represented accordingly see Note 5.

These financial statements were approved by management on 23 April 2019 and were signed on its behalf by:


Roman Zohrabyants
General Director




Liletta Melkonyan
Chief Accountant

'000 AMD	Share capital	Property and equipment revaluation surplus	Accumulated losses	Total
Balance at 1 January 2017*	585,650	9,259,550	(4,819,587)	5,025,613
Total comprehensive income for the year				
Loss and total comprehensive loss for the year	-	-	(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
Balance at 1 January 2018 as previously reported	585,650	9,258,477	(4,915,060)	4,929,067
Adjustment on initial application of IFRS 9	-	-	(533)	(533)
Adjusted balance at 1 January 2018	585,650	9,258,477	(4,915,593)	4,928,534
Total comprehensive income for the year				
Loss for the year	-	-	(12,353,723)	(12,353,723)
Other comprehensive income for the year				
Revaluation of property, plant and equipment	-	11,403,351	-	11,403,351
Balance at 31 December 2018	585,650	20,661,828	(17,269,316)	3,978,162

* The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 5.

AMD'000	2018	2017*
OPERATING ACTIVITIES		
Loss for the year	(12,353,723)	(96,546)
<i>Adjustments for:</i>		
Depreciation and amortization	1,259,145	1,352,742
Impairment losses on property, plant and equipment	16,443,734	-
Reversal of write-down of inventory	(74,709)	(31,680)
Loss on disposal of property, plant and equipment	-	4,380
Loss on disposal of intangible assets	2,236	-
Impairment losses on trade and other receivables	234	-
Change in provisions	(420,000)	420,000
Net finance costs	1,547,589	1,253,638
Income tax (benefit)/expense	(3,424,955)	247,987
<i>Changes in:</i>		
Inventories	1,775	20,175
Trade and other receivables	247,004	(206,123)
Trade and other payables	1,094,197	59,218
Cash flows from operations before income taxes and interest paid	4,322,527	3,023,791
Income tax paid	(76,243)	(64,772)
Interest paid	(1,268,745)	(1,237,447)
Cash flows from operating activities	2,977,539	1,721,572
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,215,305)	(948,183)
Proceeds from bank deposits	1,062,129	2,519,283
Placement of bank deposits	(740,505)	(2,319,970)
Interest received	6,996	25,636
Cash flows utilised by investing activities	(886,685)	(723,234)
FINANCING ACTIVITIES		
Repayment of borrowings	(2,110,789)	(1,998,449)
Cash flows utilised by financing activities	(2,110,789)	(1,998,449)
Net decrease in cash and cash equivalents	(19,935)	(1,000,111)
Cash and cash equivalents at 1 January	90,236	1,079,224
Effect of exchange rate fluctuations on cash and cash equivalents	48	11,123
Cash and cash equivalents at 31 December	70,349	90,236

* The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 5.