

International Energy Corporation CJSC

Financial Statements for 2019



KPMG Armenia LLC
8th floor, Erebuni Plaza Business Center
26/1 Vazgen Sargsyan Street
Yerevan 0010, Armenia
Telephone + 374 (10) 595 999
Internet www.kpmg.am

Independent Auditors' Report

To the Shareholders of International Energy Corporation CJSC

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 2019, 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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards) 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 International Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Comparative Information

We draw attention to Note 6 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2018 has been restated. Our opinion is not modified in respect of this matter.

Other Matter relating to comparative information

As part of our audit of the financial statements as at and for the year ended 31 December 2019, we audited the adjustments described in Note 6 that were applied to restate the comparative information presented as at and for the year ended 31 December 2018. In our opinion, the adjustments described in Note 6 are appropriate and have been properly applied.



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 LLC

KPMG Armenia LLC
2 March 2020



Statement of Financial Position as at 31 December 2019

'000 AMD	Note	31 December 2019	31 December 2018 Restated
Assets			
Property, plant and equipment	14	26,342,368	27,803,599
Intangible assets		12,334	14,091
Deferred tax assets	13	633,376	507,030
Non-current assets		26,988,078	28,324,720
Inventories	15	393,850	389,411
Trade and other receivables	16	668,538	694,075
Bank deposits	17	334,050	402,885
Cash and cash equivalents	18	167,505	70,349
Current assets		1,563,943	1,556,720
Total assets		28,552,021	29,881,440
Equity			
Share capital	19	585,650	585,650
Revaluation surplus	19	20,198,725	19,706,073
Accumulated losses		(16,153,624)	(16,313,561)
Total equity		4,630,751	3,978,162
Liabilities			
Loans and borrowings	20	18,066,018	20,084,525
Non-current liabilities		18,066,018	20,084,525
Loans and borrowings	20	4,166,373	3,454,329
Trade and other payables	21	1,374,533	2,202,667
Current tax liability		314,346	161,757
Current liabilities		5,855,252	5,818,753
Total liabilities		23,921,270	25,903,278
Total equity and liabilities		28,552,021	29,881,440


The Company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 5.

Statement of Profit or Loss and Other Comprehensive Income for 2019

'000 AMD	Note	2019	2018
			Restated
Revenue	7	6,721,616	6,300,453
Cost of sales	8	(3,308,842)	(2,688,888)
Gross profit		3,412,774	3,611,565
Other income	9	8,378	1,748,642
Administrative expenses	10	(912,551)	(843,471)
Other expenses	11	(167,969)	(17,602,480)
Impairment loss on trade and other receivables		(15,831)	(234)
Results from operating activities		2,324,801	(13,085,978)
Finance income	12	276,319	118,326
Finance costs	12	(1,656,805)	(1,665,915)
Profit/(loss) before income tax		944,315	(14,633,567)
Income tax (expense)/ benefit	13	(784,378)	3,235,599
Profit/(loss) for the year		159,937	(11,397,968)
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Revaluation of property, plant and equipment	14	-	13,063,718
Related income tax	13	-	(2,616,122)
Reduction in tax rate	13	492,652	-
Other comprehensive income, net of income tax		492,652	10,447,596
Total comprehensive income/(loss) for the year		652,589	(950,372)

The Company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 5.

These financial statements were approved by management on 2 March 2020 and were signed on its


Roman Zohrabyants
General Director




Liletta Melkonyan
Chief Accountant

Statement of Changes in Equity for 2019

'000 AMD	Share capital	Property, plant and equipment revaluation surplus	Accumulated losses	Total
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 (restated)	-	-	(11,397,968)	(11,397,968)
Revaluation of property, plant and equipment (restated)	-	10,447,596	-	10,447,596
Balance at 31 December 2018 (restated)	585,650	19,706,073	(16,313,561)	3,978,162
Balance at 1 January 2019	585,650	19,706,073	(16,313,561)	3,978,162
Total comprehensive income for the year				
Profit for the year	-	-	159,937	159,937
Effect of reduction in tax rate (Note 13)	-	492,652	-	492,652
Balance at 31 December 2019	585,650	20,198,725	(16,153,624)	4,630,751

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Statement of Cash Flows for 2019

AMD'000	2019	2018 Restated
OPERATING ACTIVITIES		
Profit/(loss) for the year	159,937	(11,397,968)
<i>Adjustments for:</i>		
Depreciation and amortization	1,706,625	1,259,145
Impairment losses on property, plant and equipment	-	15,487,979
Reversal of write-down of inventory	-	(74,709)
Loss on disposal of property, plant and equipment	197	-
Loss on disposal of intangible assets	1,757	2,236
Impairment losses on trade and other receivables	15,831	234
Change in provisions	111,949	(420,000)
Net finance costs	1,379,148	1,547,589
Income tax expense/(benefit)	784,378	(3,235,599)
<i>Changes in:</i>		
Inventories	(4,439)	1,775
Trade and other receivables	9,713	247,004
Trade and other payables	(931,471)	904,811
Cash flows from operations before income taxes and interest paid	3,233,625	4,322,497
Income tax paid	(265,716)	(76,213)
Interest paid	(1,377,330)	(1,268,745)
Cash flows from operating activities	1,590,579	2,977,539
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment*	(245,668)	(1,215,305)
Proceeds from bank deposits	809,106	1,062,129
Placement of bank deposits	(740,271)	(740,505)
Interest received	20,819	6,996
Cash flows utilised by investing activities	(156,014)	(886,685)
FINANCING ACTIVITIES		
Proceeds from borrowings	879,426	-
Repayment of borrowings	(2,215,969)	(2,110,789)
Cash flows utilised by financing activities	(1,336,543)	(2,110,789)
Net increase/(decrease) in cash and cash equivalents	98,022	(19,935)
Cash and cash equivalents at 1 January	70,349	90,236
Effect of exchange rate fluctuations on cash and cash equivalents	(866)	48
Cash and cash equivalents at 31 December	167,505	70,349

* Acquisition of property, plant and equipment does not include value added taxes paid of AMD 47,660 thousand.

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