

**“Armenian Nuclear Power Plant” CJSC**

Annual Financial Statements and

Independent Auditor’s Report

For the Year Ended 31 December 2018

**“Armenian Nuclear Power Plant” CJSC**  
**Annual Financial Statements and Independent Auditor’s Report**  
**For the Year Ended 31 December 2018**

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<b>Country of incorporation:</b>	Republic of Armenia
<b>Legal form:</b>	Closed joint stock company
<b>Principal activities:</b>	Principal activities are disclosed in Note 1
<b>Director:</b>	Movses Vardanyan

## INDEPENDENT AUDITORS REPORT

To the Shareholder of "Armenian Nuclear Power Plant" CJSC

### **Report on Audit of Financial Statements**

#### **Qualified Opinion**

We have audited the financial statements of "Yerevan Thermal Power Centre" CJSC ("Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of 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 Company as of 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Qualified Opinion**

As at 31 December 2018 the property, plant and equipment of the Company is presented at AMD 122.8 bln for which there is an indication of impairment. As described in the Note 11 to the financial statements, the Company has recognized an impairment loss of AMD 6.2 bln as of the year ended 31 December 2017. We were unable to gain sufficient and appropriate audit evidence about the accuracy of the mentioned estimate as well as we were unable to estimate ourselves the recoverable amount of property, plant and equipment as of the reporting date due to the specialized nature of Company's properties and operations. Therefore, we were unable to determine the possible impairment amount of property, plant and equipment as at reporting date.

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled out other ethical requirements in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### **Other matter - comparative information**

Financial statements of previous year were audited by other auditor, who expressed qualified opinion in its audit report dated 26 June 2018. The basis for qualification referred to inability to ascertain the accuracy of the impairment loss recognized on property, plant and equipment; which has also effects the financial statements as of 31 December 2018. See *Basis for Qualified Opinion* section of our report.

#### **Other matter - amendment of issued audited financial report**

We issued qualified opinion dated 27 June 2019 on the Company's financial statements for the year ended 31 Dec 2018. Accompanying financial statements includes corrections in the issued financial statements, that did not had affect on our issued audit report.

#### **Responsibilities of the management and those charged with governance for the financial statements**

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 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 operation, 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 Responsibility 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 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 arise from fraud and 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 going concern basis of accounting and, based on the obtained audit evidence, 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 management and 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.

### **Report on meeting other legal requirements**

According to the C.2.a.(vi) point in Section II of the 8615-AM Loan Agreement signed between the Republic of Armenia ("RoA") and the International Bank for Reconstruction and Development ("IBRD") on May 12, 2016, and according to 4.14 point of the Sub-loan Agreement signed between the RoA Ministry of Finance and the Company on June 22, 2016, the Company undertakes not to incur any expenditure, debt or liability and not to provide loans or grants for the purposes that do not relate to the main activity of the Company, that is production of the energy. In our opinion, during the year ended December 31, 2018, the Company has maintained this requisite.

July 10, 2019  
"BDO Armenia" CJSC

Vahagn Sahakyan, FCCA  
Managing partner

Gnel Khachatryan, FCCA  
Engagement partner





**“Armenian Nuclear Power Plant” CJSC**

**Statement of comprehensive Income  
For the year ended 31 December 2018**

	Notes	2018 AMD'000	2017 AMD'000 Restated
Revenue	5	17,437,337	27,191,598
Cost of Sales	6	(20,262,549)	(23,140,105)
<b>Gross Profit</b>		<b>(2,825,212)</b>	<b>4,051,493</b>
Other income		472,398	478,121
Administrative expenses	7	(1,595,346)	(1,490,417)
Other expenses	8	(587,774)	(7,533,966)
<b>Results from operating activities</b>		<b>(4,535,934)</b>	<b>(4,494,769)</b>
Financial income	9	1,274,341	572,105
Financial expenses	9	(417,441)	(258,194)
Foreign exchange gain/(loss), net		40,956	73,065
<b>Loss before tax</b>		<b>(3,638,078)</b>	<b>(4,107,793)</b>
Income tax reimbursement	10	445,240	425,452
<b>Net loss and other comprehensive loss</b>		<b>(3,192,838)</b>	<b>(3,682,341)</b>

The financial statements were approved and signed on behalf of the Company management on July 10, 2019.

  
Movses Vardanyan  
General Director

  
Emil Nikoghosyan  
Chief Accountant




**“Armenian Nuclear Power Plant” CJSC**


**Statement of Financial Position  
As at 31 December 2018**

	Notes	31.12.2018 AMD'000	31.12.2017 AMD'000 Restated	01.01.2017 AMD'000 Restated
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	122,797,577	77,265,332	70,286,262
Intangible assets	12	112,074	136,229	272,771
Prepayments for non-current asset	13	2,935,307	2,868,015	2,341,209
Other financial assets		41,804	41,804	33,825
		<u>125,886,762</u>	<u>80,311,380</u>	<u>72,934,067</u>
<b>Current assets</b>				
Inventories	14	21,542,372	23,152,014	26,133,166
Trade and other receivables	15	3,602,678	5,217,285	5,515,032
Bank deposits	16	8,133,963	8,948,517	3,759,871
Cash and cash equivalents	17	133,277	173,455	1,701,834
		<u>33,412,290</u>	<u>37,491,271</u>	<u>37,109,903</u>
<b>Total assets</b>		<u>159,299,052</u>	<u>117,802,651</u>	<u>110,043,970</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	18	74,814,328	32,947,334	18,691,807
Deferred tax liabilities	19	2,159,982	2,605,222	3,916,074
Grants related to assets	20	12,281,077	7,827,343	6,749,173
Provisions	21	11,474,556	10,748,888	10,323,122
Non-current trade payables	22	-	3,539,115	-
		<u>100,729,943</u>	<u>57,667,902</u>	<u>39,680,176</u>
<b>Current liabilities</b>				
Loans and borrowings	18	811,546	390,519	193,612
Trade and other payables	22	8,547,060	6,943,075	14,084,500
Current income tax liabilities		-	397,814	-
		<u>9,358,606</u>	<u>7,731,408</u>	<u>14,278,112</u>
<b>Total liabilities</b>		<u>110,088,549</u>	<u>65,399,310</u>	<u>53,958,288</u>
<b>Equity</b>				
Share Capital		14,663,599	14,663,599	14,663,599
Reserve capital		954,943	954,943	954,943
Additional capital		1,585,206	1,585,206	1,585,206
Retained earnings		32,006,755	35,199,593	38,881,934
<b>Total equity</b>	23	<u>49,210,503</u>	<u>52,403,341</u>	<u>56,085,682</u>
<b>Total liabilities and equity</b>		<u>159,299,052</u>	<u>117,802,651</u>	<u>110,043,970</u>

(\*) Restatement related to previous year is presented in Note 28.

The financial statements were approved and signed on behalf of the Company management on July 10, 2019.

  
Movses Vardanyan  
General Director


  
Emil Nikoghosyan  
Chief Accountant


**“Armenian Nuclear Power Plant” CJSC**

**Statement of cash flows**  
**For the year ended 31 December 2018**

	Notes	2018 AMD'000	2017 AMD'000
<b>Cash flows from operating activities</b>			
Cash received from customers		21,363,764	31,771,201
Other cash receipts		106,830	108,167
Cash paid to employees		(5,507,721)	(5,201,485)
Cash paid to suppliers and other creditors		(11,180,813)	(15,809,385)
Income tax paid		(1,161,577)	(197,000)
Taxes and other mandatory payments made		(7,285,151)	(7,684,648)
Other payments		(226,020)	(200,823)
Interest paid		(992,042)	(419,298)
<b>Net cash flow from operating activities</b>		<b>(4,882,730)</b>	<b>2,366,729</b>
<b>Cash flows from investing activities</b>			
Payments for acquisition of non-current assets		(136,516)	(650,331)
Proceeds from disposal of non-current assets		2,476	-
Interest income proceeds		1,149,327	367,892
Net cash in/(out) from deposits placed		939,568	(5,229,716)
<b>Net cash flow from investing activities</b>		<b>1,954,855</b>	<b>(5,512,155)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		2,532,973	1,626,189
Repayment of loans and borrowings		(62,753)	(67,949)
Proceeds from grants		402,080	44,543
<b>Net cash from financing activities</b>		<b>2,872,300</b>	<b>1,602,783</b>
<b>Net cash flows</b>		<b>(55,575)</b>	<b>(1,542,643)</b>
Effect of changes in exchange rates on cash and cash equivalents		15,397	14,264
<b>Cash and bank balances at 1 January</b>		<b>173,455</b>	<b>1,701,834</b>
<b>Cash and bank balances at 31 December</b>	17	<b>133,277</b>	<b>173,455</b>

The financial statements were approved and signed on behalf of the Company management on July 10, 2019.

  
Movses Vardanyan  
General Director

  
Emil Nikoghosyan  
Chief Accountant



**“Armenian Nuclear Power Plant” CJSC**

**Statement of Changes in Equity**  
For the year ended 31 December 2018

	Share Capital AMD'000	Reserve capital AMD'000	Additional capital AMD'000	Retained earnings AMD'000	Total AMD'000
Balance as of 1 January 2017	14,663,599	954,943	1,585,206	38,881,934	56,085,682
Loss for the year	-	-	-	(3,682,341)	(3,682,341)
Balance as of 31 December 2017	14,663,599	954,943	1,585,206	35,199,593	52,403,341
Loss for the year	-	-	-	(3,192,838)	(3,192,838)
Balance as of 31 December 2018	14,663,599	954,943	1,585,206	32,006,755	49,210,503

The financial statements were approved and signed on behalf of the Company management on July 10, 2019.

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Movses Vardanyan  
General Director



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Emil Nikoghosyan  
Chief Accountant

## “Armenian Nuclear Power Plant” CJSC

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# **“Armenian Nuclear Power Plant” CJSC**

## **Notes to the financial statements For the year ended 31 December 2018**

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### **1 Company overview**

“Armenian Nuclear Power Plant” CJSC (the “Company”) was established through reorganization of the Armenian Nuclear Power Plant SPE CJSC of the Republic of Armenia Ministry of Energy and Fuel based on the decree N 492 dated 14 October 1994.

The Company was registered in Armavir regional division of the State register of legal entities of the Republic of Armenia on 29 July 1996 in accordance with the legislation of the Republic of Armenia.

100% of the Company shares belong to the Government of the Republic of Armenia.

The Company operates under the following licenses:

- License for production of electrical energy and capacity, issued on 21 June 1999 by the Energy Commission of the Republic of Armenia; valid through 10 June 2019
- License for exploitation of the nuclear plant, issued by the State Committee for Nuclear Safety Regulation under the Government of the Republic of Armenia issued on 1 April 2011; valid through 1 April 2021.
- License for import of radioactive materials, issued by the State Committee for Nuclear Safety Regulation under the Government of the Republic of Armenia issued on 7 September 2006; valid through 7 September 2026.
- License for use of radioactive materials, issued by the State Committee for Nuclear Safety Regulation under the Government of the Republic of Armenia issued on 4 May 2006; valid through 4 May 2026.

The Company's activities, including tariff policy, are regulated by the Public Services Regulatory Commission of the Republic of Armenia.

According to the Government Decree N 98 dated 4 April 1996, the Company is considered as a nuclear plant operator and is acting in accordance with the international agreements related to nuclear energy ratified by the Republic of Armenia.

According to the charter the Company's main activities are secure and effective exploitation of nuclear power objects, electricity production, sale and export.

The Company's production facilities include two power units. According to the USSR Council of Ministers decree two power blocks have been deactivated in 1989 due to safety reasons. In 1993 the Government of the Republic of Armenia made a resolution on resuming the operations of the nuclear power plant. A framework for resuming the operations of the power units of the plant was elaborated, and details of necessary activities to increase the security of the N2 power unit. On 5 November 1995 the N2 power unit has resumed its operation.

Currently, two projects are being implemented by the Company:

- N2 unit Lifetime Extension Project, according to the agreement signed between the Government of the Republic of Armenia and the Russian Federation (RF) Government on 5 February 2015.
- Power Sector Financial Recovery Program, financed by IBRD, loan agreement 8615-AM, signed on 16 May 2016. The objective of the program is to support the efforts of the Republic of Armenia to maintain adequate and reliable electricity supply through improvement of the financial standing of the state-owned power generation companies and the private power distribution company.

Number of employees of the Company as of 31 December 2018 is 1,768 (31 December 2017: 1,803).

The Company's legal address is 0910, Metsamor, Armavir marz Republic of Armenia.

# “Armenian Nuclear Power Plant” CJSC

## Notes to the financial statements For the year ended 31 December 2018

### 2 Basis of Preparation

The principal accounting policies applied in the preparation of these financial statements are set in note 27. These policies have been consistently applied for all periods presented, unless otherwise set forth herein.

The financial statements are presented in AMD, which represents also the functional currency.

All the amounts are rounded to the nearest thousand unless otherwise is stated.

These financial statements have been prepared and presented in accordance with International Financial Reporting Standards and Standard Interpretations (hereinafter - IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and judgements. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

#### *Basis for measurement*

The financial statements are prepared on the historical cost basis. (For the details please refer the accounting policies of the separate financial statements accounts).

#### *Changes in accounting policies*

##### *a) New standards, interpretations and amendments effective from 1 January 2018.*

- IFRS 9 Financial Instruments
- IFRS 15 - Revenue from Contracts with Customers
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

Among the above IFRS 15 - Revenue from Contracts with Customers and IFRIC 22 Foreign Currency Transactions and Advance Consideration did not have significant effect on the Company's financial statements.

As a result of adoption of IFRS 9 reclassification changes have been applied in the accounting policies retrospectively. There have been no differences in the carrying amounts of financial assets and financial liabilities as a result of applying IFRS 9 as of 1 January 2018.

Financial assets at 1 January 2018	Previous classification per IAS39	New classification per IFRS 9	Carrying value per IAS 39 and IFRS 9 '000 AMD
Cash and cash equivalents	Loans and receivables	Measured at amortized cost	173,455
Trade receivables	Loans and receivables	Measured at amortized cost	3,291,173
Bank deposits	Loans and receivables	Measured at amortized cost	8,948,517
Other financial assets	Loans and receivables	Measured at amortized cost	41,804

**“Armenian Nuclear Power Plant” CJSC**

**Notes to the financial statements  
For the year ended 31 December 2018**

Financial liabilities at 1 January 2018	Previous classification per IAS39	New classification per IFRS 9	Carrying value per IAS 39 and IFRS 9 '000 AMD
Loans and borrowings	Measured at amortized cost	Measured at amortized cost	33,337,853
Trade payables	Measured at amortized cost	Measured at amortized cost	6,878,698

**“Armenian Nuclear Power Plant” CJSC**

**Notes to the financial statements  
For the year ended 31 December 2018**

*b) New standards, interpretations and amendments published, not yet effective*

Pronouncement	Nature of the pending change in accounting policy on adoption of the pronouncement	Date by which application of the IFRS is required	Date Company plans to apply the pronouncement initially	Impact of initial application on financial statements
IFRS 16 Leases (2017)	Under IFRS 16 a lessee recognizes a right-of-use assets and a lease liability. The right-of-use assets is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of lease payments payable over the lease term.	January 2019 Early adoption permitted	January 2019	Material impact is not envisaged
IFRIC 23 Uncertainty over Income Tax Treatments	The interpretation addresses how to determine the taxable profit(loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over treatment under IAS 12, Income Tax for the purpose of accounting for income taxes.	January 2019 Early adoption permitted	January 2019	Material impact is not envisaged

### 3 Significant accounting estimates and judgements

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRSs. Actual results may differ from those estimates.

The Company makes certain judgements, estimates and assumptions related to the future periods. The judgements, assumptions and estimates are regularly revised based on the historical. Meanwhile, the actual outcomes may differ from the estimates and assumptions. The estimates and assumptions that contain significant risk, as they may lead to significant adjustments of carrying amounts of assets and liabilities, are presented below.

- Useful life of property, plant and equipment (Note 27)
- Estimate of the Provision on plant exploitation/decommissioning of the nuclear power plant and provision on storage of used nuclear fuel (Note 21)

#### *Measurement of fair values*

Number of assets and liabilities included require measurement and/or disclosure of fair values in the Company's financial statements.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.

### 4 Financial instruments - risk management

The Company activities are exposed to a variety of financial risks:

- Credit risk
- fair value interest rate risk, cash flow interest rate risk
- foreign currency risk
- liquidity risk

The Company may be exposed to risks arising from its use of financial instruments as it is typical to all other business activities. This note describes the Company's objectives, policy, risk management processes and their measurement methods. These financial statements present quantitative information on the aforementioned risks.

Significant changes have not been reported in relation to the risks arising from the financial instruments, the Company's objectives, policy, risk management processes and their measurement methods (unless otherwise is mentioned).

## “Armenian Nuclear Power Plant” CJSC

### Notes to the financial statements For the year ended 31 December 2018

#### (a) The main financial instruments

The main financial instruments of the Company, from which financial instruments risks arise, are as follows:

- Trade receivables
- Bank deposits
- Cash and cash equivalents
- Other financial assets
- Loans and borrowings
- Trade payables

#### (b) Financial instruments by categories

##### Financial assets

	<i>Measured at amortized cost</i>	
	31.12.2018	31.12.2017
	AMD'000	AMD'000
Bank deposits	8,133,963	8,948,517
Trade receivables	2,852,214	3,291,173
Cash and cash equivalents	133,277	173,455
Other financial assets	41,804	41,804
	<b>11,161,258</b>	<b>12,454,949</b>

##### Financial liabilities

	<i>Measured at amortized cost</i>	
	2018	2017
	AMD'000	AMD'000
Loans and borrowings	75,625,874	33,337,853
Trade payables	6,546,117	6,878,698
	<b>82,171,991</b>	<b>40,216,551</b>

#### (c) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade receivables, bank deposits, cash and cash equivalents, loans and borrowings, trade and other payables.

Carrying amounts of cash and cash equivalents, trade receivables, deposits, cash and cash equivalents, loans and borrowings, trade and other payables equal their fair value.

Annex A details the fair value hierarchy, valuation techniques, and significant non-observable inputs related to the fair value of loans and borrowings that are included in the fair value hierarchy at Level 3.

#### *Common goals, policy and processes*

General management of the Company's operations is carried out by the Board of Directors (except the matters reserved for the Shareholders General Meeting).

The main goal of the Board of Directors is to establish a policy that will reduce the risk as much as possible, without having impact on its competitiveness and flexibility. Details of this policy are presented below.

# **“Armenian Nuclear Power Plant” CJSC**

## **Notes to the financial statements** **For the year ended 31 December 2018**

### *Credit risk*

Credit risk is the risk the Company may incur financial losses resulted from the third parties' failure to discharge their obligations toward the Company. The only customer of the company is “Electronic Networks of Armenia” CJSC, which does not have credit risk because the receivable is paid within a month following the occurrence of the debt.

Credit risk also arises from cash and cash equivalents and deposits held in banks. The company places its funds only in the largest Armenian banks.

### *Market risk*

Market risk arises from the Company's interest rate, trading and foreign currency financial instruments.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change of interest rate (interest rate risk), foreign exchange rate (foreign currency risk) or other market factors (other market factors' risk).

### *Fair value and cash flow related interest rate risk*

*Fair value risk arises from floating rate long term borrowings as presented in Note 18.*

### *Foreign currency risk*

Currency risk arises when the transactions are not expresses in the functional currency.

For assets and liabilities denominated in other currencies, the Company refers to the rates published by the Central Bank of Republic of Armenia as at the reporting date which is presented below (currency unit value expressed in AMD).

	<b>2018</b>	<b>2017</b>
	<b>AMD'000</b>	<b>AMD'000</b>
1 USD	483.75	484.1
1 EUR	553.65	580.1

The structure of foreign currency financial assets and financial liabilities of the Company by currencies as at 2018 and 2017, 31 December is as follows:

	<b>USD</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>AMD'000</b>	<b>AMD'000</b>
<b>Financial assets</b>		
Cash and cash equivalents	616	490
<b>Total financial assets</b>	<b>616</b>	<b>490</b>
<b>Financial liabilities</b>		
Loans and borrowings	69,212,831	29,353,164
Trade and other payables	6,454,798	6,626,312
<b>Total financial liabilities</b>	<b>75,667,629</b>	<b>35,979,476</b>
<b>Net position</b>	<b>(75,667,013)</b>	<b>(35,978,986)</b>

As of the reporting date, the 10% appreciation of the US Dollar against the AMD will result in net assets and year-end (decrease)/increase of the Company's net profit by AMD 7,566,701 thousand (2017: AMD 3,597,899 thousand).

**“Armenian Nuclear Power Plant” CJSC**

**Notes to the financial statements  
For the year ended 31 December 2018**

**Liquidity risk**

Liquidity risk arises on Company's current capital management, financial expense and settlement of principal amounts of debt instruments. Liquidity risk is the risk that the Company will encounter difficulty on settlement of financial liabilities within the set deadlines.

According to the Company's policy, the Company shall have sufficient cash to settle the liabilities. In this regard, it strives to maintain sufficient liquid funds to repay the obligations. Sufficiency of liquid funds is also ensured through use of unutilized loan funds as defined in the lending agreements.

The following table presents the remaining contractual maturities (undiscounted contractual cash flows) of financial liabilities

	Less than 3 months AMD'000	3 months to 1 year AMD'000	1-5 years AMD'000	More than 5 years AMD'000	Total undiscounted liabilities AMD'000	Carrying value AMD'000
<b>31 December 2018</b>						
Loans and borrowings	858,236	1,201,896	36,075,035	52,693,182	90,828,349	75,625,874
Trade payables	91,319	6,454,798	-	-	6,546,117	6,546,117
	<u>949,555</u>	<u>7,656,694</u>	<u>36,075,035</u>	<u>52,693,182</u>	<u>97,374,466</u>	<u>82,171,991</u>

	Less than 3 months AMD'000	3 months to 1 year AMD'000	1-5 years AMD'000	More than 5 years AMD'000	Total undiscounted liabilities AMD'000	Carrying value AMD'000
<b>31 December 2017</b>						
Loans and borrowings	503,744	547,415	12,706,672	31,539,536	45,297,367	33,337,853
Trade payables	101,954	-	6,776,744	-	6,878,698	6,878,698
	<u>605,698</u>	<u>547,415</u>	<u>19,483,416</u>	<u>31,539,536</u>	<u>52,176,065</u>	<u>40,216,551</u>

**“Armenian Nuclear Power Plant” CJSC**

**Notes to the financial statements  
For the year ended 31 December 2018**

**5 Revenue**

	2018	2017
	AMD'000	AMD'000
Provision of capacity	12,765,801	13,373,731
Sale of electricity	4,671,536	13,817,867
	<u>17,437,337</u>	<u>27,191,598</u>

As at 31 December 2018 the tariff for produced electricity comprised AMD 1.96 for each kWt/h (31 December 2017: AMD 5.65), and the tariff for provision of capacity comprised AMD 4,632 per each kWT of capacity (31 December 2017: AMD 3,598).

**6 Cost of Sales**

	2018	2017
	AMD'000	AMD'000
Nuclear fuel	7,049,188	9,800,360
Depreciation and amortization	4,207,057	3,964,526
Employee remuneration	6,382,447	6,345,806
Cost of materials used	1,133,622	1,171,339
Repair and maintenance	780,438	1,023,137
Gas and Electricity	491,708	532,076
Other	218,089	302,861
	<u>20,262,549</u>	<u>23,140,105</u>

**7 Administrative expenses**

	2018	2017
	AMD'000	AMD'000
Employee remuneration	1,130,025	1,057,006
Depreciation and amortization	182,762	174,615
Mandatory payments	51,695	52,440
Travel expenses	51,036	46,824
Insurance	29,891	36,277
Post and communication	24,810	22,378
Representative expenses	9,403	23,148
Other	115,724	77,729
	<u>1,595,346</u>	<u>1,490,417</u>

**8 Other expenses**

	2018	2017
	AMD'000	AMD'000
Taxes and tax penalties	187,591	516,239
Labor union expenses	114,990	113,778
Membership fees	113,950	101,822
Employee remuneration	53,910	76,852
Depreciation and amortization	57,659	46,328
Impairment of property, plant and equipment	-	6,497,546
Other penalties	-	126,086
Other	59,674	55,315
	<u>587,774</u>	<u>7,533,966</u>

**“Armenian Nuclear Power Plant” CJSC**

**Notes to the financial statements  
For the year ended 31 December 2018**

**9 Finance income and finance expense**

	2018 AMD'000	2017 AMD'000
Interest income from bank deposits	1,274,341	415,176
Finance income on forgiving of trade payable	-	156,929
<b>Total financial income</b>	<b>1,274,341</b>	<b>572,105</b>
Interest expense - loans from RA Ministry of Finance	(175,194)	(140,675)
Finance expense from interest accretion of provision	(136,150)	(102,362)
Finance expense from interest accretion of trade payable	(106,097)	(15,157)
<b>Total finance expense</b>	<b>(417,441)</b>	<b>(258,194)</b>
	<b>856,900</b>	<b>313,911</b>

**10 Income tax**

	2018 AMD'000	2017 AMD'000
Tax reimbursement on temporary differences (Note 19)	(445,240)	(1,310,852)
Income tax expense/reimbursement	-	885,400
<b>Total income tax recovery</b>	<b>(445,240)</b>	<b>(425,452)</b>

A 20% income tax rate is applied on the Company's taxable profit (2017 - 20%).

Reconciliation of effective tax rate is as follows:

	2018		2017	
	AMD'000	Effective tax rate (%)	AMD'000	Effective tax rate (%)
<b>Loss before taxation</b>	<b>(3,638,078)</b>		<b>(4,107,793)</b>	
Tax reimbursement at 20% tax rate	(727,616)	20.0%	(821,559)	20.0%
Non-deductible expenses, net	324,918	(9.0%)	396,107	(9.6%)
Unrecognized deferred tax asset on tax loss	163,786	(4.5%)	-	-
Impact of tax legislation change	(206,328)	5.7%	-	-
<b>Income tax reimbursement</b>	<b>(445,240)</b>	<b>12.2%</b>	<b>(425,452)</b>	<b>10.4%</b>

**“Armenian Nuclear Power Plant” CJSC**

**Notes to the financial statements  
For the year ended 31 December 2018**

**11 Property, plant and equipment**

AMD'000	Land	Buildings	Structures and constructions	Transmission lines	Machinery and equipment	Other	Construction in progress	Total
<i>Cost</i>								
Balance as of 1 January 2017	7,612,620	11,622,057	11,198,033	9,611,313	54,200,411	3,207,593	19,164,865	116,616,892
Additions	-	15,736	1,813	17,308	227,962	2,697,195	14,531,894	17,491,908
Disposals/write off	-	-	-	-	(194,215)	(43,695)	-	(237,910)
Internal movements	-	9,003	3,832	(156,681)	(2,430,241)	2,574,153	(66)	-
Reclassification from inventories and intangible assets	-	-	-	-	(10,477)	166,667	(28,333)	127,857
<b>Balance as of 31 December 2017</b>	<b>7,612,620</b>	<b>11,646,796</b>	<b>11,203,678</b>	<b>9,471,940</b>	<b>51,793,440</b>	<b>8,601,913</b>	<b>33,668,360</b>	<b>133,998,747</b>
Additions	-	87,399	18,460	70	5,255,351	8,091,590	36,688,143	50,141,013
Disposals/write-offs	-	-	-	-	(26,153)	(31,518)	-	(57,671)
Reclassification to inventories	-	-	-	-	-	-	(195,396)	(195,396)
Internal movements	-	402,498	(870,062)	(315,541)	6,704,897	589,028	(6,510,820)	-
<b>Balance as of 31 December 2018</b>	<b>7,612,620</b>	<b>12,136,693</b>	<b>10,352,076</b>	<b>9,156,469</b>	<b>63,727,535</b>	<b>17,251,013</b>	<b>63,650,287</b>	<b>183,886,693</b>
<i>Accumulated depreciation</i>								
Balance as of 1 January 2017	-	5,666,223	5,065,444	5,520,466	27,819,012	2,086,516	172,969	46,330,630
Charge for the year	-	650,855	508,146	370,587	2,255,514	314,253	-	4,099,355
Impairment	-	1,070,817	768,896	897,318	3,501,522	258,993	-	6,497,546
Disposals/write-offs	-	-	-	-	(194,034)	(42,364)	-	(236,398)
Internal movements	-	(11,892)	(3,832)	80,604	1,593,086	(1,657,966)	-	-
Reclassifications from/(to) intangible assets	-	-	-	-	(6,809)	49,091	-	42,282
<b>Balance as of 31 December 2017</b>	<b>-</b>	<b>7,376,003</b>	<b>6,338,654</b>	<b>6,868,975</b>	<b>34,968,291</b>	<b>1,008,523</b>	<b>172,969</b>	<b>56,733,415</b>
Charge for the year	-	534,918	567,211	369,319	2,529,936	401,779	-	4,403,163
Disposals/write-offs	-	-	-	-	(18,762)	(28,700)	-	(47,462)
Internal movements	-	(3,809)	(357,975)	(1,065,296)	(3,325,823)	4,752,903	-	-
<b>Balance as of 31 December 2018</b>	<b>-</b>	<b>7,907,112</b>	<b>6,547,890</b>	<b>6,172,998</b>	<b>34,153,642</b>	<b>6,134,505</b>	<b>172,969</b>	<b>61,089,116</b>
<i>Carrying amount</i>								
As of 1 January 2017	7,612,620	5,955,834	6,132,589	4,090,847	26,381,399	1,121,077	18,991,896	70,286,262
As of 31 December 2017	7,612,620	4,270,793	4,865,024	2,602,965	16,825,149	7,593,390	33,495,391	77,265,332
<b>As of 31 December 2018</b>	<b>7,612,620</b>	<b>4,229,581</b>	<b>3,804,186</b>	<b>2,983,471</b>	<b>29,573,893</b>	<b>11,116,508</b>	<b>63,477,318</b>	<b>122,797,577</b>

## “Armenian Nuclear Power Plant” CJSC

### Notes to the financial statements For the year ended 31 December 2018

Construction in progress includes the cost of works implemented in the framework of the N2 Power Unit Lifetime Extension project, at the amount of AMD 50,501,483 thousand, which includes design and survey works, comprehensive examination, project management, assessment of the residual lives of the systems and components of the power unit and also certain equipment at the amount of drams 1,777,226 thousand. On 27 March 2014 the Government of the Republic of Armenia ratified the project for extension of the exploitation period of the N2 power unit of the nuclear power plant for 10 years. As described in Note 1 an agreement has been signed by the Government of the Republic of Armenia and the Russian Federation on 5 February 2015 to finance the above project. The project is implemented and managed by Rosatom Service JSC. As a result of the extension works the lifetime of the plant will be extended till 2026. It is planned to finalize the extension works by the end of 2020.

The amount of capitalized borrowing costs is AMD 1,283,594 thousand in 2018 (2017: drams 529,406 thousand), which have arisen as a result of borrowing costs incurred on special purpose loans.

During 2017 the Company has performed valuation of its property, plant and equipment implemented by contracting an independent valuator, which resulted in the impairment loss of AMD 6,195,070 thousand. In addition, impairment loss of AMD 302,476 thousand has been recognized as a result of management intention to discontinue exploitation of certain equipment. Depreciation charge has been charged to:

	2018 AMD'000	2017 AMD'000 Restated
Cost of sales	4,198,582	3,954,016
Administrative expenses	155,717	107,931
Other operating expenses	48,864	37,408
	<b>4,403,163</b>	<b>4,099,355</b>

## 12 Intangible assets

	Formulas AMD'000	Licenses, patents and software AMD'000	Total AMD'000
<b>Cost</b>			
Balance as of 1 January 2017	830,461	164,864	995,325
Additions	45,921	20,100	66,021
Reclassifications from/(to) PPE	(164,419)	5,690	(158,729)
<b>Balance as of 31 December 2017</b>	<b>711,963</b>	<b>190,654</b>	<b>902,617</b>
Additions	60	20,100	20,160
Write-offs	(40,333)	-	(40,333)
Internal movements	23,854	(23,854)	-
<b>Balance as of 31 December 2018</b>	<b>695,544</b>	<b>186,900</b>	<b>882,444</b>
<b>Accumulated amortization</b>			
Balance as of 1 January 2017	589,727	132,827	722,554
Charge for the year	68,507	17,608	86,115
Internal movements	23,117	(23,117)	-
Reclassification from PPE	(42,281)	-	(42,281)
<b>Balance as of 31 December 2017</b>	<b>639,070</b>	<b>127,318</b>	<b>766,388</b>
Charge for the year	28,947	15,368	44,315
Write-offs	(40,333)	-	(40,333)
<b>Balance as of 31 December 2018</b>	<b>627,684</b>	<b>142,686</b>	<b>770,370</b>
<b>Carrying amount</b>			
As of 1 January 2017	240,734	32,037	272,771
As of 31 December 2017	72,893	63,336	136,229
<b>As of 31 December 2018</b>	<b>67,860</b>	<b>44,214</b>	<b>112,074</b>

# **“Armenian Nuclear Power Plant” CJSC**

## **Notes to the financial statements** **For the year ended 31 December 2018**

Amortization expense has been charged to:

	2018	2017
	AMD'000	AMD'000
Cost of sales	8,475	10,510
Administrative expenses	27,045	66,684
Other operating expenses	8,795	8,920
	<u>44,315</u>	<u>86,114</u>

### **13 Non-current prepayments**

Non-current prepayments represent amounts paid to TN International for the acquisition of storage tanks for the used nuclear fuel.

### **14 Inventories**

	2018	2017
	AMD'000	AMD'000
Nuclear fuel in reactor	9,232,020	10,160,457
Nuclear plant in inventories	7,213,600	6,812,815
Materials	1,989,359	2,048,050
Spare parts	2,398,612	2,255,825
Fuel	134,373	138,465
Other materials	574,408	1,736,402
	<u>21,542,372</u>	<u>23,152,014</u>

### **15 Trade and other receivables**

	2018	2017
	AMD'000	AMD'000
Trade receivables	2,852,214	3,291,173
Prepaid taxes	690,824	1,671,204
Prepayments and other balances	59,640	254,908
	<u>3,602,678</u>	<u>5,217,285</u>

Trade receivables as at 31 December 2018 and 2017 represent receivables from “Electric Networks of Armenia” CJSC.

### **16 Bank deposits**

	CCY	Maturity	Interest rate (%)	2018	2017
				'000 AMD	'000 AMD
Deposit in local large bank	AMD	2019	12. 76%	8,133,963	-
Deposit in local large bank	AMD	2018	12. 75%	-	8,948,517
				<u>8,133,963</u>	<u>8,948,517</u>

### **17 Cash and cash equivalents**

	2018	2017
	'000 AMD	'000 AMD
Bank accounts	127,398	173,287
Cash on hand	5,879	168
	<u>133,277</u>	<u>173,455</u>

# **“Armenian Nuclear Power Plant” CJSC**

## **Notes to the financial statements** **For the year ended 31 December 2018**

### **18 Loans and borrowings**

Loans and borrowings represent loans received from the Ministry of Finance under the Sub-Loan Agreements, which are financed within the loan agreements with the Ministry of Finance and International Bank for Reconstruction and Development and the Russian Federation.

Loans and borrowings from the Ministry of Finance are presented below by contracts:

	Currency	Date of maturity	Nominal interest rate (%)	2018 AMD'000	2017 AMD'000
Intergovernmental loan from RF	USD	2029	3.00%	65,490,638	25,748,903
Co-financing for Intergovernmental loan from RF	AMD	2029	3.00%	5,830,890	3,385,313
International Bank for Reconstruction and Development (IBRD)	USD	2040	3.85%*	3,722,193	3,604,261
Budget loan from the Ministry of Finance	AMD	2035	0.75%	582,153	599,376
				<b>75,625,874</b>	<b>33,337,853</b>

(\*) The interest rate of the loan is floating and equals the sum of the Base rate and Margin as defined in the loan agreement #8615-AM signed on May 12 2016 between RA Government and International Bank for Reconstruction and Development.

The Loan Agreements for current and non-current portions are presented below:

	Non-current 2018 AMD'000	Non-current 2017 AMD'000	Current 2018 AMD'000	Current 2017 AMD'000	Total 2018 AMD'000	Total 2017 AMD'000
Intergovernmental loan from RF	64,826,545	25,473,398	664,092	275,505	65,490,637	25,748,903
Co-financing for Intergovernmental loan from RF	5,764,595	3,345,361	66,296	39,953	5,830,891	3,385,314
International Bank for Reconstruction and Development (IBRD)	3,703,788	3,591,954	18,404	12,307	3,722,192	3,604,261
Budget loan from the Ministry of Finance	519,400	536,621	62,754	62,754	582,154	599,375
	<b>74,814,328</b>	<b>32,947,334</b>	<b>811,546</b>	<b>390,519</b>	<b>75,625,874</b>	<b>33,337,853</b>

# **“Armenian Nuclear Power Plant” CJSC**

## **Notes to the financial statements** **For the year ended 31 December 2018**

### ***Intergovernmental loan from Russian Federation***

In accordance with the agreement between the Russian Federation and the Government of the Republic of Armenia dated 5 February 2015, the Russian Federation has provided an intergovernmental loan of USD 270,000 thousand and grant of USD 30,000 (Note 20) to finance the project for extension of the exploitation period of the plant.

As of 31 December 2018, not utilized loans amounted to AMD 65,121,862 thousand (as of 31 December 2017: AMD 104,958,097 thousand).

### ***International Bank for Reconstruction and Development***

In accordance with the loan agreement 8615-AM dated 12 May 2016 International Bank for Reconstruction and Development provided a loan to HAEK CJSC at an amount of USD 8,550 thousand for the Power Sector Financial Recovery Program. As of 31 December 2018, unutilized loans amounted to AMD 413,870 thousand (as of 31 December 2017: AMD 534,794 thousand).

The loan movement and outstanding balances are as follows:

	2018 AMD'000	2017 AMD'000
Balance at the beginning of year	33,337,853	18,885,419
Cash receipts from loans	2,532,973	1,626,189
Interest expense in profit or loss	175,194	140,675
Interest accrued on capitalization of fixed assets	1,283,594	529,406
Direct payments to supplier by Russian Federation	39,350,220	12,596,168
Payment of principal amount in cash	(62,753)	(62,753)
Payment of interest in cash	(992,042)	(419,298)
Exchange differences	835	42,047
<b>Balance at the end of year</b>	<b>75,625,874</b>	<b>33,337,853</b>

## **19 Deferred tax liabilities**

	31 December 2017 AMD'000	Recognized in profit or loss AMD'000	31 December 2018 AMD'000
Property, plant and equipment	(3,460,003)	451,590	(3,008,413)
Intangible assets	28,759	(28,759)	-
Inventory	115,367	38,468	153,835
Trade and other receivables	65,500	(65,500)	-
Borrowings given	362,176	1,892	364,068
Trade and other payables	282,979	47,549	330,528
	<b>(2,605,222)</b>	<b>445,240</b>	<b>(2,159,982)</b>

	31 December 2016 AMD'000	Recognized in profit or loss AMD'000	31 December 2017 AMD'000
Property, plant and equipment	(4,680,736)	1,220,733	(3,460,003)
Intangible assets	-	28,759	28,759
Inventory	113,495	1,872	115,367
Trade and other receivables	65,500	-	65,500
Borrowings given	364,208	(2,032)	362,176
Trade and other payables	221,459	61,520	282,979
	<b>(3,916,074)</b>	<b>1,310,852</b>	<b>(2,605,222)</b>

# **“Armenian Nuclear Power Plant” CJSC**

## **Notes to the financial statements** **For the year ended 31 December 2018**

Unrecognized tax loss of the Company by the years of the occurrence and the validity period is presented below:

Year	Validity period	Tax loss AMD'000	Unrecognized deferred tax assets AMD'000
2018	31/12/2023	818,932	163,786

### **20 Grants related to assets**

	31.12.2018 AMD'000	31.12.2017 AMD'000
Balance at the beginning of year	7,827,343	6,749,173
Received during reporting year	4,878,125	1,497,783
Credited to profit or loss ( recognized in other income)	(424,391)	(419,613)
Balance at the end of year	<u>12,281,077</u>	<u>7,827,343</u>

As described in note 1, according to the agreement signed between the Government of the Republic of Armenia and the Government of the Russian Federation, the Russian Federation has provided an intergovernmental loan to the Government of the Republic of Armenia to finance the project for extension of the exploitation period of the plant. According to the same agreement the Russian Federation had to provide grants at an amount of US 30,000 thousand.

### **21 Provisions**

	31.12.2018 AMD'000	31.12.2017 AMD'000 Restated	01. 01. 2017 AMD'000 Restated
Provision on plant exploitation/decommissioning of the nuclear power plant	9,418,426	9,324,993	9,222,631
Provision on storage of used nuclear fuel	2,056,130	1,423,895	1,100,491
	<u>11,474,556</u>	<u>10,748,888</u>	<u>10,323,122</u>

The provision on plant exploitation represents the sum of all future annual discounted transferred amounts that the Company is obliged to transfer to the designated account set by the Government of Armenia up to the expected deadline for electricity production license.

According to the RA Government Decree 1637-N, the amounts of the transfers by the Company are established by the Public Services Regulatory Commission, as included in the annual tariffs of the electric energy.

As of December 31 2017 and 2018, the contributions payable on the mentioned provisions amounted to AMD 6,610,550 and AMD 6,210,550 thousand, respectively.

The provision on storage of used nuclear fuel has been created at the discounted value of the estimated present obligation on structures that have not yet been built or prepaid in connection with the used nuclear fuels in reactor and basins.

## “Armenian Nuclear Power Plant” CJSC

### Notes to the financial statements For the year ended 31 December 2018

The main judgments and assumptions regarding the assessment of mentioned provisions are as follows:

	2018. AMD'000	2017 AMD'000
Discount rate	3. 0%	3. 0%
Expected deadline for the electricity production license	2026	2026
Nuclear fuel storage provision utilization date	2020-2033	2020-2031
Annual inflation forecasts	2. 0%	2. 0%

The movements of provisions for 2017 and 2018 are presented below:

	Notes	2018 AMD'000	2017 AMD'000 Restated
Balance at the beginning of year		10,748,888	10,323,122
Increase of provision		589,518	323,404
Interest accretion of provision	9	136,150	102,362
Balance at end of year		<b>11,474,556</b>	<b>10,748,888</b>

## 22 Trade and other payables

	2018 AMD'000	2017 AMD'000
Trade payables	6,546,117	6,878,698
Payables to employees	1,991,008	1,916,606
Payables on taxes and duties	1,919	1,682,503
Other payables	8,016	4,383
<b>Total trade and other payables</b>	<b>8,547,060</b>	<b>10,482,190</b>
Current portion	8,547,060	6,943,075
Non-current portion	-	3,539,115

As of 31 December 2018, the payable for the purchase of nuclear fuel included in the trade payables was with one counterparty and amounted to AMD 6,486,051 thousand (as of 31 December 2017: AMD 6,768,083 thousand AMD, of which AMD 3,539,115 thousand were classified as non-current trade payables).

The fair value of trade and other payables classified as financial liabilities at amortized cost does not significantly differ from the carrying amount.

# "Armenian Nuclear Power Plant" CJSC

## Notes to the financial statements For the year ended 31 December 2018

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### 23 Capital and reserves

#### *Share capital*

As of 31 December 2018 and 2017 the share capital of the company amounted AMD 14,663,599 thousand comprised of 4,000 ordinary shares with a nominal value of AMD 3,665,899.8.

#### *Reserve capital*

According to the charter the Company has to create a reserve capital at 15% of the share capital. The reserve capital is created through transfers from accumulated profit.

#### *Additional capital*

Additional capital represents the difference between the fair value and the contractual amount of the borrowings received from the owner.

### 24 Transactions with related parties

100% owner of the Company's shares and the ultimate controlling party is the Government of the Republic of Armenia.

#### *(a) Transactions with the Shareholder*

Information on borrowings and interest expense from shareholders is presented in Note 9 and 18.

#### *(c) Compensation for key management personnel*

	2018 AMD'000	2017 AMD'000
Salaries and other benefits	101,175	65,380

### 25 Contingencies

#### 25. 1 Responsibility for the possible damage caused

Under the Vienna Convention on the Civil Responsibility for the Nuclear Damage the Company as an operator of the nuclear plant is liable for compensation of any nuclear damage caused as a result of the plant exploitation. The amount, terms and conditions of the compensation are determined by the legislation of the Republic of Armenia. According to the above Convention the amount of compensation can be limited to minimum of USD 5,000,000 for each incidence of damage. According to the legislation the Company is obliged to have sufficient financial resources to cover its responsibility for any possible damages caused. To meet the above requirement, the Company has to make annual allocations to specifically designated fund at the amount of AMD 150,000 thousand. The mentioned amount included in the tariffs for the electrical energy for the Company. No provision has been recognized in respect of this obligation in the Company's financial statements, since management believes the probability of the damage to occur is remote.

#### 25. 2 Insurance

The Company does not have full coverage for its business interruption and third party liability arising from the Company operations.

## “Armenian Nuclear Power Plant” CJSC

### Notes to the financial statements For the year ended 31 December 2018

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#### 25. 3 *Contingent liabilities and provisions*

As at December 31, 2018 and up to the date of sign-off of these financial statements the Company is not involved in such legal proceedings that may have a material impact on the financial position of the Company.

#### 25. 4 Environmental matters

Management is of the opinion that the Company has met the Government’s requirements concerning environmental matters and, therefore, believes that the Company does not have any current material environmental liabilities. However, environmental legislation in Armenia is in process of development and potential changes in the legislation and its interpretation may give rise to material liabilities in the future.

#### 26 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern and provide adequate return to the shareholder.

The capital structure of the Company consists of loans and borrowings (current and non-current liabilities) and equity (comprising share capital, reserves, other capital and retained earnings.)

The amounts managed as capital by the Company for the reporting periods are summarized as follows:

	2018 AMD'000	2017 AMD'000
Loans and borrowings	75,625,874	33,337,853
Less cash and cash equivalents	(133,277)	(173,455)
Less short term bank deposits	(8,133,963)	(8,948,517)
	<b>67,358,634</b>	<b>24,215,881</b>
Equity	<b>49,210,503</b>	<b>52,403,341</b>
	<b>1.37</b>	<b>0.46</b>

#### 27 Summary of Accounting Policies

##### 27. 1. Functional and presentation currencies

The national currency of the Republic of Armenia is the Armenian Dram (“AMD”), which is the currency in which the Company’s financial statements are presented. All financial information presented in AMD has been rounded to the nearest thousand.

##### 27. 2 Foreign currency transactions

Foreign currency transactions are translated to AMD at the rates of exchange prevailing on the dates of the transactions. The currency rate applied is the average rate prevailing in the currency market published by the Central Bank of Armenia.

At each reporting date foreign currency monetary assets and liabilities are translated at the rates defined by the Central Bank of Armenia prevailing on the reporting date. Revaluation differences arising from the outstanding monetary assets and liabilities are immediately recognized in the profit or loss.

## “Armenian Nuclear Power Plant” CJSC

### Notes to the financial statements For the year ended 31 December 2018

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#### 27. 3 Property, plant and equipment

Property, plant and equipment are stated at cost which includes the purchase price, directly attributable costs and the present value of an unavoidable costs of dismantling and removing the item and restoring the site on which it is located. Respective liability is recognized as provisions.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Expenditure to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in profit or loss as incurred.

Land is not depreciated. Depreciation of construction in progress assets begins when the assets are available for use, complete and ready for use. For the remaining property, plant and equipment items depreciation is calculated for the purpose of allocating the carrying amount during the expected useful life of the assets.

The estimated useful lives are as follows.

Property, plant and equipment	Useful life
Buildings and constructions	20-50 years
Transmission lines	10 years
Machinery and equipment	5-10 years
Other	1-10 years

#### 27.4 Intangible assets

Intangible assets, which are acquired by the Company and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses. The estimated useful life of intangible assets is 2-5 years.

#### 27.5 Inventories

Inventories are assets held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Costs comprise purchase price and other charges incurred in bringing inventory to its present location and condition.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

##### *Nuclear fuel*

Nuclear fuel is recognized in the statement of financial position under inventories. The fuel is received in rods, which are used by the Company within 5 to 6 years once placed into the reactor. Nuclear fuel is recognized as an expense based on calculations made on monthly basis by the technicians according to specially elaborated formulas. At the end of each reporting period the amount recognized as an expense is adjusted by the amount of actually used fuel.

## **27. 6 Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred to third parties.

Financial assets are derecognized when they are extinguished, discharged, cancelled or expire.

### ***Financial assets***

The Company's financial assets are financial assets measured at amortized cost. These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognized based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within cost of sales in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company's financial assets measured at amortized cost in statement of financial position include trade receivables, bank deposits, cash and cash equivalents as well as other financial assets. Cash and cash equivalents include cash and demand deposits in banks.

### ***Financial liabilities***

The Company's financial liabilities include loans and borrowings and trade payables.

Loans and borrowings are initially recognized at fair value, less transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value recognized in profit or loss over the period of the borrowings on an effective interest basis. Interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance expenses, except for the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalized as part of that asset.

Trade and other payables are recognized at fair value and subsequently measured at amortized cost.

## **27. 7 Impairment**

At each reporting date, property, plant and equipment, and intangibles assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognized immediately in profit or loss.

## **“Armenian Nuclear Power Plant” CJSC**

### **Notes to the financial statements For the year ended 31 December 2018**

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If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **27. 8 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

#### **27. 9 Grants**

Grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received.

Grants with a primary condition to purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

#### **27. 10 Provisions**

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimation can be made of the amount of the obligation. If the effect is material, 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, where appropriate, the risks specific to the liability as applicable.

#### **27. 11 Deferred taxes**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is legally enforceable right to set off the current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

#### **27.12 Revenue**

##### ***Performance obligation and timing of revenue recognition***

The majority of the company's revenue arises from the sale of electricity and provision of capacity, the revenue earned on which is recognized at the moment when the control is transferred to the customer. The control transfer is mainly carried out when the electricity is delivered to the customer. There is limited

# **“Armenian Nuclear Power Plant” CJSC**

## **Notes to the financial statements** **For the year ended 31 December 2018**

judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, usually will have a present right to payment and retains none of the significant risks and rewards of the goods in question.

### ***Determining the transaction price and Allocating amounts to performance obligations***

Company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices, besides for all the products the unit price is fixed.

## **28 Correction of previous year errors**

The comparative information for previous years in these financial statements has been corrected by including the estimates of provision on exploitation/decommissioning of the nuclear power plant and provision on storage of used nuclear fuel as of January 1 and December 31 2017.

The effect of correction of this error on the statement of comprehensive income for the year 2017 and on the statement of the financial position as of 1 January and 31 December 2017 is provided below:

	As of 31 December 2016	Adjustment	As of 1 January 2017 Restated
	AMD'000	AMD'000	AMD'000
Property, plant and equipment	65,773,690	4,512,572	70,286,262
Trade and other payables	19,895,050	(5,810,550)	14,084,500
Provisions	-	10,323,122	10,323,122

	As of 31 December 2017	Adjustment	As of 31 December 2017 Restated
	AMD'000	AMD'000	AMD'000
Property, plant and equipment	72,726,994	4,538,338	77,265,332
Trade and other payables	16,692,740	(6,210,550)	10,482,190
Provisions	-	10,748,888	10,748,888

	2017	Adjustment	2017 Restated
	AMD'000	AMD'000	AMD'000
Cost of sales	23,242,467	(102,362)	23,140,105
Financial expenses	155,832	102,362	258,194

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**Notes to the financial statements  
For the year ended 31 December 2018**

**Annex A - IFRS 13 Fair value measurement disclosures**

The following table sets out the assets and liabilities for which fair values are disclosed in the notes:

Financial statements account	Fair value ‘000AMD	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Bank deposits	8,133,963	The carrying amount of short term (less than 12 months) bank deposits approximates its fair values	Level 2	Not applicable
Trade receivables	2,852,214	The carrying amount of short term (less than 12 months) trade receivables approximates its fair values	Level 2	Not applicable
Loans and borrowings	75,625,874	The carrying amount of borrowings approximates its fair values	Level 2	Not applicable
Trade payables	6,546,117	The carrying amount of short term (less than 12 months) trade payables approximates its fair values	Level 2	Not applicable