

**YEREVAN THERMAL POWER CENTRE CJSC**

**Financial Statements  
and  
Independent Auditor's Report**

**For the year ended 31 December 2021**

YEREVAN THERMAL POWER CENTRE CJSC

Annual financial statements  
For the year ended 31 December 2021

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Contents

The Board	3
Independent auditor's report	4
Statement of financial position	8
Statement of profit or loss and other comprehensive inc	9
Statement of changes in equity	10
Statement of cash flows	11
Index to notes forming part of the financial statements	12
Notes forming part of the financial statements	13

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Country of incorporation: 3rd Building, Arin-Berdi St. 3rd Lane, Yerevan, Republic of Armenia

Legal form: Closed Joint-Stock Company

Principal activities: The Company produces electricity from natural gas through thermal power centre

General Director:  Arsen Grigoryan

## The Board

Hamlet Batikyan	Secretary General of the RA Ministry of Defense, Chairman of the Council
Serob Hunanyan	Assistant to the Deputy Prime Minister of the RA
Armen Meliq-Israyelyan	Head of Department of Shares Management of the Department of State Property Management by the Government of the RA
Stepan Petrosyan	Corresponding Member of the National Academy of Sciences of RA, Doctor of Physical and Mathematical Sciences
Natalya Sarjanyan	Head of the Department for corporate and Public Relations of Electric Networks of Armenia” CJSC
Arsen Grigoryan	General Director of Yerevan Thermal Power Centre CJSC

## INDEPENDENT AUDITOR'S REPORT

To the Management of the "Yerevan Thermal Power Centre" CJSC

### *Report on Audit of Financial Statements*

#### **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 2021, 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, the accompanying financial statements present fairly, in all material respects, the financial position of Company as of 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis of Opinion**

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 opinion.

#### **Other matter**

The Company's financial statements for the year ended December 31, 2020 were audited by another auditor, Grant Thornton Audit LLC (Romania), which expressed an unmodified opinion on these financial statements on April 30, 2021.

#### **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.



YEREVAN THERMAL POWER CENTRE CJSC

Statement of Financial Position  
As at 31 December 2021

	Note	31.12.2021 AMD'000	31.12.2020 AMD'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	112,103,445	117,343,926
Intangible assets		5,572	6,019
Deferred tax assets	5	1,434,811	1,031,167
		<b>113,543,828</b>	<b>118,381,112</b>
<b>Current assets</b>			
Inventories	6	6,683,868	6,920,416
Trade and other receivables	7	3,478,531	7,341,894
Bank deposits	9	13,202,186	-
Cash	8	174,134	11,234,752
		<b>23,538,719</b>	<b>25,497,062</b>
<b>TOTAL ASSETS</b>		<b>137,082,547</b>	<b>143,878,174</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10.1	1,855,841	1,852,615
Paid-in-capital	10.2	11,264,865	11,264,865
Revaluation reserve	10.4	4,180,999	5,068,978
Accumulated loss		(9,006,944)	(28,462,734)
		<b>8,294,761</b>	<b>(10,276,276)</b>
<b>Non-current liabilities</b>			
Loans and borrowings	11	100,345,796	124,417,713
		<b>100,345,796</b>	<b>124,417,713</b>
<b>Current liabilities</b>			
Loans and borrowings	11	9,410,198	9,242,128
Grants related to income		55,038	53,779
Trade and other payables	12	18,976,754	19,724,044
Income tax payable	19	-	716,786
		<b>28,441,990</b>	<b>29,736,737</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>137,082,547</b>	<b>143,878,174</b>

The financial statements were approved and signed on behalf of the Company's management on April 20, 2022. The accompanying notes form an integral part of the financial statements.

Arsen Grigoryan  
General Director



Garri Akhoyan  
Head of accounting service

YEREVAN THERMAL POWER CENTRE CJSC

Statement of profit or loss and other comprehensive income  
For the year ended 31 December 2021

	Note.	2021 AMD'000	2020 AMD'000
Revenue	13	40,746,897	77,309,739
Cost of sales	14	(42,530,065)	(71,633,390)
<b>Gross (loss)/profit</b>		<b>(1,783,168)</b>	<b>5,676,349</b>
Other income		81,232	43,788
Administrative expenses	15	(724,546)	(649,642)
Other expenses	16	(669,536)	(701,190)
<b>(Loss)/profit from operating activities</b>		<b>(3,096,018)</b>	<b>4,378,805</b>
Financial income	17	1,794,991	1,419,725
Financial costs	17	(971,632)	(1,171,405)
Foreign currency exchange gain/(loss), net	18	20,436,138	(15,955,787)
Profit/(loss) from disposal of non-current assets, net		688	-
<b>Profit/(loss) before tax</b>		<b>18,164,167</b>	<b>(11,328,662)</b>
Income tax compensation/(expense)	19	403,644	(642,940)
<b>Net profit/(loss) for the year</b>		<b>18,567,811</b>	<b>(11,971,602)</b>
Other comprehensive income		-	-
<b>Total comprehensive result</b>		<b>18,567,811</b>	<b>(11,971,602)</b>

The financial statements were approved and signed on behalf of the Company's management on April 20, 2022. The accompanying notes form an integral part of the financial statements.

Arsen Grigoryan  
General Director



Garri Akhoyan  
Head of accounting service

YEREVAN THERMAL POWER CENTRE CJSC

Statement of Changes in Equity  
For the year ended 31 December 2021

	Share capital	Paid-in-capital	Revaluation reserve	Accumulated Loss	Total
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
Balance as of January 1, 2020	1,852,615	11,264,865	6,043,162	(17,465,316)	1,695,326
Loss for the year	-	-	-	(11,971,602)	(11,971,602)
Transfer from revaluation reserve	-	-	(974,184)	974,184	-
Balance as of December 31, 2020	1,852,615	11,264,865	5,068,978	(28,462,734)	(10,276,276)
Profit for the year	-	-	-	18,567,811	18,567,811
Transfer from revaluation reserve	-	-	(887,979)	887,979	-
Share capital increase	3,226	-	-	-	3,226
Balance as of December 31, 2021	1,855,841	11,264,865	4,180,999	(9,006,944)	8,294,761

The financial statements were approved and signed on behalf of the Company's management on April 20, 2022. The accompanying notes form an integral part of the financial statements.



Arsen Grigoryan  
General Director

Garri Akhoyan  
Head of accounting service

**YEREVAN THERMAL POWER CENTRE CJSC**  
**Statement of cash flows**  
**For the year ended 31 December 2021**

	2021 AMD'000	2020 AMD'000
<b><i>Cash flows from operating activities</i></b>		
Cash received from sales		
Other inflows	19,691,641	33,191,947
Cash paid to suppliers	22,575	19,191
Cash paid to employees	(10,732,446)	(26,239,632)
Income tax paid	(594,702)	(517,016)
Other taxes paid	(4,360)	(386,874)
<b><i>Net cash flows from operating activities</i></b>	<b><u>5,152,695</u></b>	<b><u>4,432,461</u></b>
<b><i>Cash flows from investing activities</i></b>		
Deposit (invested)/settled, net	(13,284,000)	-
Interest income on deposits	1,826,229	1,396,999
Payments on PPE acquisition	(45,229)	(778,537)
<b><i>Net cash flows from investing activities</i></b>	<b><u>(11,503,000)</u></b>	<b><u>618,462</u></b>
<b><i>Cash flows from financing activities</i></b>		
Proceeds from loans and borrowings	302,228	331,857
Repayment of loans and borrowings	(4,017,008)	(3,965,075)
Interest paid	(991,133)	(1,220,708)
<b><i>Net cash flows from financing activities</i></b>	<b><u>(4,705,913)</u></b>	<b><u>(4,853,926)</u></b>
<b><i>Total net cash flows</i></b>	<b><u>(11,056,218)</u></b>	<b><u>196,997</u></b>
Exchange difference on cash	(4,400)	2,112
<b><i>Cash at the beginning of the year</i></b>	<b><u>11,234,752</u></b>	<b><u>11,035,643</u></b>
<b><i>Cash at the end of the year</i></b>	<b><u>174,134</u></b>	<b><u>11,234,752</u></b>

The financial statements were approved and signed on behalf of the Company's management on April 20, 2022. The accompanying notes form an integral part of the financial statements.

Arsen Grigoryan  
General Director



Garri Akhoyan  
Head of accounting service

YEREVAN THERMAL POWER CENTRE CJSC

Index to notes forming part of the financial statements  
For the year ended 31 December 2021

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1. General Information	11
2. Basis of preparation	12
3. Summary of Accounting Policies	12
4. Property, plant and equipment	18
5. Deferred tax assets	21
6. Inventories	23
7. Trade and other receivables	23
8. Cash	24
9. Bank deposits	24
10. Equity	24
11. Loans and borrowings	25
12. Trade and other payables	27
13. Revenue from contracts with customers	27
14. Cost of sale	29
15. Administrative expenses	29
16 Other expenses	30
17. Financial income and expenses	30
18. Foreign exchange gain/(loss), net	30
19. Income tax	30
20. Transactions with related parties	31
21. Financial Instruments risks	32
22. Contingencies and liabilities	35
23. Capital management	35
24. Events after the reporting date	36
25. Fair Value measurement disclosures	37

## 1. General Information

### 1.1. The Company

“Yerevan TPC” enterprise was established in 1963. In 1997 “Yerevan Thermal Power Centre” state closed joint-stock company (the “Company”) was founded.

The Company's main activities include:

- production and sale of electrical and thermal energy;
- Import and export of natural gas and electricity.

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

First one of the seven turbine installations of Yerevan TPP with 50MW capacity was commissioned in 1963, while the last one in 1967.

Being commissioned more than 40 years ago the units and auxiliary equipment of the power plant have undergone a regular tear and wear and became obsolescent by exhausting their normative operating resource, which naturally resulted in significant dropping of the operation reliability and the efficiency of generation of the electrical and heat energy by the power plant.

The loan agreement on implementation of “Yerevan Combined Cycle Co-generation Power Plant Project” was signed on March 29, 2005 between the Government of the Republic of Armenia (RA) and Japan International Cooperation Agency (JICA)). Based on the said agreement the JICA provided loan to the Government of the RA with preferential terms by extending 26,409 million Japanese Yens. Construction of the new plant started in 2006 and was completed in 2010; the new plant has been put in use in April 2010.

Owing to the realization of new technology the efficiency of the power plant was increased to almost 70%, levels of emissions were reduced significantly, as well as consumption quantity of drinking quality water by more than 3 times.

The average number of employees of the Company during 2019 was 224 employees (2018: 230 employees).

The change of Charter of the Company has been registered in state register on September 08, 2006, registration number is 269.070.00255, and certificate number is 01 A 004948.

Registration address of the Company is 3 Building, Arin-Berdi St. 3rd Lane, Yerevan, 0053, RA.

Tax payer code is 02205028.

### 1.2. Share Capital

Republic of Armenia is the sole Shareholder in reporting and prior years.

Share capital of the Company as at 31.12.2021 was 1,855,841 thousand drams (as at 31.12.2020: 1,852,615 thousand drams). Share capital of the Company consists of 2,277,105 pieces of nominal registered shares with nominal value of 815 drams. (as at 31.12.2020: 2,273,147 pieces of nominal registered shares with nominal value of 815 drams).

### 1.3. Business environment

The company operates in Armenia. Consequently, the company's activities are influenced by the economy and financial markets of Armenia, which are characterized by the peculiarities of the developing market. Legal, tax and legislative systems continue to develop, but are subject to various interpretations and frequent changes, which, along with other legal and financial obstacles, creates additional difficulties for organizations operating in Armenia. The financial statements reflect the company's assessment of the impact of the business environment on the company's operations and financial position. The future business environment may differ from management's assessment.

The wide geographical spread of a new type of coronavirus (COVID-19) has had a significant impact on the Armenian economy. The further duration and impact of the epidemic, as well as the effectiveness of measures to overcome the problem, remain uncertain at the moment.

The political field of the Republic of Armenia is characterized as unstable, in particular, after the war unleashed by Azerbaijan on September 27, 2020 against the Republic of Artsakh. The essential prerequisites of political and economic crises, in turn, lead to a decrease in the general mood of investors and an increase in uncertainty and fluctuations in financial markets.

As part of the efforts to liberalize the Armenian electricity market and stimulate interstate trade, a phased liberalization of the Armenian electricity market has been launched since February 1, 2022 and it is planned to fully liberalize it by February 1, 2025. As a result, some power generating stations, including Yerevan Thermal Power Centre CJSC, will not have a tariff formed by the PSRC (ՅԾԿՅ), and will start selling their electricity at a price formed as a result of supply and demand in the market.

Such an operating environment has a significant impact on the company's operations and financial position. The necessary measures are being taken to ensure the stability of the company's operations, however, based on the unpredictability of events, management is not able to give a reliable assessment of what impact such circumstances will have on the financial position of the company in the coming years.

## 2. Basis of preparation

### 2.1. Basis of preparation and presentation of Financial Statements

These financial statements have been prepared and presented in accordance with International Financial Reporting Standards (hereinafter - IFRSs). IFRSs are Standards and Interpretations issued by the International Accounting Standards Board (IASB). They comprise:

- International Financial Reporting Standards;
- International Accounting Standards;
- International Financial Reporting Interpretations Committee (IFRIC) Interpretations; and
- Standing Interpretations Committee (SIC) Interpretations.

The principal accounting policies applied in the preparation of these financial statements are set in note 3. These policies have been consistently applied for all periods presented, unless otherwise set forth herein.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.4.

### 2.2. Changes in accounting policies

There are no new standards, interpretations and amendments that came into force since January 1, 2021 that have a significant impact on the company's financial statements.

### 2.3. New standards and amendments published, not yet effective

There are no new standards, interpretations or amendments that are not yet effective and will have or may have an impact on the Company's future financial statements.

## 3. Summary of Accounting Policies

### 3.1 Functional and presentation currency

The functional currency of the Company is 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.

### 3.2. Basis for measurement

The financial statements are prepared on the historical cost basis, except the following items:

- PPE measured at revaluated amounts (note 4).

### 3.3 Going concern

The Company has experienced financial losses in the last years, which resulted to the cumulated losses of AMD 9,006,944 thousand (as at 31.12.2020: AMD 28,462,734 thousand).

Management of the Company develops and consistently performs financial recovery program, permanent control and management of liquidity.

The company's business plan for 2022 is based on:

- Since 2016, as part of the "Power Sector Financial Recovery Program" implemented under the IBRD 8615-AM loan agreement, commercial loans with high interest rates of the company were repaid in 2016-2017, most of the significant debts to the gas supplier were repaid, and the reconstruction of the 220/110/35 sq. substation was completed in 2018.
- Cargo carrying schedule approved in December 2021 by the Public Services Regulatory Commission (PSRC) of the Republic of Armenia and agreed with the Operator of the Electric Power System (ESO).
- The company plans to repair the power unit, a new substation and a gas turbine operating with a combined cycle in 2023, as a result of which production and technical indicators will significantly improve. For this purpose, the company will use bank deposit of AMD 13,284,000 available on 31.12.2021 and will not attract additional commercial loans.
- In 2020, the power unit with a combined cycle was upgraded, providing the following characteristics:
  - Installed electric power plant capacity` 233.6 MW
  - Rated power in conditions of 250.6 MW (ISO)
  - Thermal power plant capacity: 434.9 GJ/h:

After making assessments, the Company's management has a reasonable expectation that the Company is able to continue its operational existence in the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

### 3.4 Significant judgments, estimates and assumptions

To prepare the financial statements in accordance with the requirements of IFRS, the company's management has made a number of judgments, estimates and assumptions regarding the presentation of assets and liabilities, as well as judgments, estimates and assumptions of contingent liabilities and assets. Actual results may differ from those estimates.

#### 3.4.1 Judgments

The following are the significant judgments made by the Company's management for applying the Company's accounting policies that have material impact on the amounts recognized in the financial statements:

- a) Revenue recognition - Principal or agent? (note 13.g)

#### 3.4.2 Estimates and assumptions

The following are the significant estimates and assumptions made by the Company's management for applying the Company's accounting policies that have material impact on the amounts recognized in the financial statements:

- a) Fair value measurement - Note 22.d and 25

Some assets and liabilities included in the Company's financial statements require measurement at and/or disclosure of fair value.

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.

b) Useful lives of property, plant and equipment - Notes 4.g.

Useful lives of the property, plant and equipment has been estimated based on its best estimate of the economic lives of the assets as well as its intentions to continue exploitation of those assets. Management believes that estimated useful lives of the property, plant and equipment are not materially different from economical lives of those assets. If actual useful lives of property, plant and equipment are different from estimates and financial statements may be materially different.

c) Impairment of trade receivables and other financial assets - Note 7

The Company regularly reviews its financial assets to access impairment. As of 31 December 2021, the carrying amount of the Company's impaired receivables was 440,202 thousand drams (31 December 2020: 442,327 thousand drams), and carrying amount of other financial assets 214 thousand drams (31.12.2018: 219,234 thousand drams). The Company Management uses judgment to estimate the amount of any impairment loss in cases where a customer or a borrower are in financial difficulties estimating the changes of future cash flows. If the actual recoverability of receivables and other financial assets varies from the estimated, the carrying amounts of those assets may be different.

The company makes some estimates and assumptions about future periods. Assessments and judgments are constantly revised based on historical experience and other factors, as well as reasonable expectations about future events. However, actual experience may differ from estimates and assumptions. Below are the estimates and assumptions that carry significant risk, as they may be the cause of significant adjustments in the balance of assets and liabilities in the next financial year.

### 3.5 Foreign currency transactions

Transactions entered into by Company in a currency other than the functional currency, AMD, are recorded at the rates ruling when the transactions occur. Settlement rate established by the Central Bank of the Republic of Armenia is taken as the exchange rate.

Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

### 3.6 Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such property, plant and equipment is recognized in other comprehensive income (except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged) and is shown as revaluation reserve in shareholder's equity. A decrease in the carrying amount arising on the revaluation of such property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of that asset.

The revaluation surplus is transferred to the accumulated profit as the asset is used by the Company. The amount of the surplus transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to accumulated profit.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes directly attributable expenditures, site preparation, installation and assembly costs, professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy.

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.

### 3.7 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.

### 3.8 Inventories

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

The cost of inventories of items that are ordinarily interchangeable shall be assigned by using the weighted average principle.

The cost of inventories of items that are not ordinarily interchangeable, particularly the cost of cars, shall be assigned by using specific identification of their individual costs.

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.

### 3.9 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 recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised 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 recognised 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.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognized.

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

### **Financial liabilities**

The Company's financial liabilities include loans and borrowings as well as trade and other payables. The Company's financial liabilities by categories are disclosed in Note 10, 11.

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.

#### **3.10 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.

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.

#### **3.11 Equity**

Equity instruments issued by the Company are stated at nominal value. Share capital represents the nominal value of shares that have been issued.

Revaluation reserve comprises gains and losses from the revaluation of property, plant and equipment.

Dividends are recognized as a liability in the period in which they are declared.

#### **3.13 Short-term employee benefits**

Short-term employee benefits include wages, salaries short-term compensated absences (such as paid annual leave and paid sick leave), and bonuses.

#### **3.14 Related Party Disclosures**

The Company is a government-related entity since it is controlled by the Republic of Armenia, the sole shareholder of the Company. The Company applies IAS 24 Related Parties, exclusion of a standard for disclosing information on transactions with government-related parties. Therefore, the financial statements disclose the effect of a transaction with the related parties:

- a) the nature and amount of each significant separately-held transaction

- b) quantitative and qualitative information on remaining transactions, their size, which are significant together, but not separate.

The company reveals key management personnel:

- benefits: short-term or post-employment,
- termination benefits,
- share-based payments.

### 3.15 Revenue recognition

Revenue of the Company derives from sale of electricity, natural gas and provision of capacity, as well as exchange of electricity and gas.

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

The majority of the company's revenue arises from the sale of electricity, 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 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.

#### **Determining the transaction price**

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.

#### **Allocating amounts to performance obligations**

For most of the contracts, the unit price is fixed for each item.

#### **Practical Exemptions**

The Company has taken advantage of the practical exemptions:

- not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less; and
- expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

#### **Exchange of goods**

When goods are exchanged or swapped for goods which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue.

When goods are sold in exchange for dissimilar goods, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods received cannot be measured reliably, the revenue is measured at the fair value of the goods given up, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

### 3.16 Income tax

Income tax on current year profit or loss consists of current tax and deferred tax.

Current tax is the amount of income taxes payable/(refundable) in respect of the taxable profit/(loss) for a period. Current tax is recognized in the net profit or loss of the period.

Deferred taxes (deferred tax liabilities and deferred tax assets) of the Company are conditioned by carry-forward of temporary differences (taxable and deductible temporary differences), and carry-forward of unused tax losses.

Deferred taxes arising as a result of temporary differences are calculated using balance sheet liability method, based on the temporary differences between the carrying amounts of assets and liabilities used for preparation of financial statements, and amounts used for taxation purposes (tax base).

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

YEREVAN THERMAL POWER CENTRE CJSC

Notes forming part of the financial statements  
For the year ended 31 December 2021

4. Property, plant and equipment

	Buildings and construc- tions	Land	Transmis- sion devices	Power plants, equipment	Vehicles	Constructio n-in- process	Fixture, fittings and other	Total
As at January 1, 2020	24,598,114	5,388,333	18,799,738	144,099,200	312,273	1,680,339	1,710,413	196,588,410
Additions	3,387	-	52,250	847,791	-	-	13,199	916,627
Deductions	-	-	(357,505)	(177,843)	-	-	(288)	(535,636)
Reclassification	792	-	-	264	-	-	(1,056)	-
As at December 31, 2020	24,602,293	5,388,333	18,494,483	144,769,412	312,273	1,680,339	1,722,268	196,969,401
Additions	-	-	40,022	15,779	4,291	-	22,210	82,302
Deductions	(5,608)	-	(6,609)	(2,950)	(10,000)	-	-	(25,167)
Reclassification	(19,014)	-	19,014	(3,023)	3,023	-	-	-
As at December 31, 2021	24,577,671	5,388,333	18,546,910	144,779,218	309,587	1,680,339	1,744,478	197,026,536
As at January 1, 2020	6,038,981	2,327,435	7,539,709	55,852,851	157,067	1,680,339	726,751	74,323,133
Additions	664,636	-	500,783	4,088,000	20,672	-	52,838	5,326,929
Deductions	-	-	(13,991)	(10,437)	-	-	(158)	(24,586)
Reclassification	528	-	-	22	-	-	(550)	-
As at December 31, 2020	6,704,144	2,327,435	8,026,501	59,930,436	177,739	1,680,339	778,881	79,625,475
Additions	660,366	-	500,524	4,102,223	14,011	-	37,976	5,315,100
Deductions	(5,607)	-	(5,126)	(879)	(5,872)	-	-	(17,484)
Reclassification	-	-	-	(3,023)	3,023	-	-	-
As at December 31, 2021	7,358,903	2,327,435	8,521,899	64,028,757	188,901	1,680,339	816,857	84,923,091
<b>Balance value</b>								
As at January 1, 2020	18,559,133	3,060,898	11,260,029	88,246,349	155,206	-	983,662	122,265,277
As at December 31, 2020	17,898,149	3,060,898	10,467,982	84,838,976	134,534	-	943,387	117,343,926
As at December 31, 2021	17,218,768	3,060,898	10,025,011	80,750,461	120,686	-	927,621	112,103,445

Thousand AMD

YEREVAN THERMAL POWER CENTRE CJSC

Notes forming part of the financial statements  
For the year ended 31 December 2021

**a) PPE additions consist of:**

	AMD'000
Capital construction	56,866
Purchased from suppliers	22,210
Investment	3,226
	<u>82,302</u>

**b) Power plants**

As described in note 1, the new power plant unit with 205MW nominal capacity and 103GCal/h heat export capacity is exploited at the Company since year 2010 (note 1). The carrying amount of the unit, including its buildings and constructions as of December 31, 2021 is 97,446,166 thousand AMD (December 31, 2020: 101,885,221 thousand AMD) (point d.2 below):

In 2018, the 220/110/35 kW substation was operated, with the carrying value of 8,163,770 thousand AMD as of December 31, 2021 (December 31, 2019: 8,515,319) (point d.2 below).

Included in the property, plant and equipment is the old power plant (including related buildings and constructions) at the carrying/revaluated amount of 3,432,611 thousand AMD as of December 31, 2021 (December 31, 2020: 3,882,488 thousand AMD) (point d.1).

Exploitation of this power plant was suspended after the exploitation of the new plant and it was saved as a backup capacity.

Within the framework of the decision of the Prime Minister of the RA No. 612-U dated May 25, 2020, the company initiated the process of alienation of unused and unusable property of the old power plant:

**c) Limitations on PPE**

Property, plant and equipment in amount of 19,098,174 thousand drams are pledged as a security for bank loans and borrowings as of December 31, 2021 (as at December 31, 2020: 19,663,410 thousand AMD).

**d) Fair value Measurement - Revaluation of PPE**

The Company's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The last fair value measurement of the Company's land and plant as at 31 December 2017 was performed by "Artin Enterprise" LTD, an independent valuer not related to the Company. The firm and its valuers have related qualifications (CIPS, CCIM, NAR) and are member of international valuers associations such as RVU (Russia).

The fair value of the land was determined based on the market comparable approach that reflects the recent transaction prices for similar properties.

The fair value of buildings, such as those related to the new power plant build in year 2010, that will be continued to be used for ordinary activities of the Company was determined using the cost approach that reflects the cost to a market participant to acquire or construct assets of comparable utility and age, adjusted for obsolescence. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic obsolescence.

The fair value of equipment that will be continued to be used, such as those installed at new power plant, was determined using the market value of identical asset adjusted for obsolescence.

The fair value of buildings and equipment that will be disposed or dismantled, such as those related to the old power plant build in year 1963, was determined based on market value of disposed property or any valuable dismantled materials, less cost of dismantling and selling.

Due to their unique nature, the fair value of revalued land, building and equipment are classified into Level 3 of the fair value hierarchy as at reporting date.

If the property, plant and equipment were presented at historical cost, their carrying amounts as at December 31, 2021, would be 107,004,666 thousand drams (as of December 31, 2020: 111,162,245 thousand drams).

YEREVAN THERMAL POWER CENTRE CJSC

Notes forming part of the financial statements  
For the year ended 31 December 2021

d.1) Old power plant as of 31.12.2021

Class of PPE	Thousand AMD		
	Historical revalued cost	Accumulated depreciation, impairment loss	Carrying amount
Buildings and constructions	5,698,874	(4,839,719)	859,155
Transmission devices	1,353,449	(391,726)	961,723
Machinery and equipment	2,367,357	(891,409)	1,475,948
Vehicles	182,009	(61,360)	120,649
Fixture and fittings, other PPE	101,130	(85,994)	15,136
Capital construction-in-process	1,521,275	(1,521,275)	-
	<b>11,224,094</b>	<b>(7,791,483)</b>	<b>3,432,611</b>
Land	2,569,978	-	2,569,978
	<b>13,794,072</b>	<b>(7,791,483)</b>	<b>6,002,590</b>

d.2) New thermal power plant as of 31.12.2021

Class of PPE	Thousand AMD		
	Historical revalued cost	Accumulated depreciation, impairment loss	Carrying amount
Buildings and constructions	18,890,587	(2,530,926)	16,359,661
Transmission devices	1,014,074	(114,367)	899,707
Machinery and equipment	93,675,305	(14,400,791)	79,274,514
Vehicles	4,976	(4,941)	35
Fixture and fittings, other PPE	1,330,441	(418,192)	912,249
	<b>114,915,383</b>	<b>(17,469,217)</b>	<b>97,446,166</b>
New thermal power plant	9,274,327	(1,110,557)	8,163,770
Land	490,920	-	490,920
	<b>124,680,630</b>	<b>(18,579,774)</b>	<b>106,100,856</b>

**e) PPE at zero carrying amount**

The cost of an item of property, plant and equipment with carrying value of zero AMD as of December 31, 2021 is 6,296,699 thousand drams (December 31, 2020: 4,865,808 thousand drams).

**f) PPE depreciation**

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Calculation of depreciation commences when assets are available for use. The estimated useful lives are as follows:

Buildings and constructions	20 - 40 years
Power plants	40 years
Transmission devices	5 - 40 years
Machinery and equipment	5 - 40 years
Vehicles	5 years
Fixture and fittings	5 - 40 years
Other	2 - 10 years

Depreciation expense has been charged as follows:

	2021	2020
	AMD'000	AMD'000
Cost of sales (note 13)	4,686,562	4,682,547
Administrative expenses (note 14)	205,579	206,901
Other operating expenses (note 15)	422,959	437,481
	<b>5,315,100</b>	<b>5,326,929</b>

**5. Deferred tax assets**

	31.12.2021	31.12.2020
	AMD'000	AMD'000
<b>Balance at the beginning of the year</b>	<b>1,031,167</b>	<b>817,321</b>
Recognized in profit or loss	403,644	213,846
Recognized in equity	-	-
<b>Balance at the end of the year</b>	<b>1,434,811</b>	<b>1,031,167</b>

Deferred tax assets have been recognized to the extent that the Company's management expects tax losses and temporary differences to be reimbursable.

Deferred taxes for the year ended December 31, 2021 are grouped as follows:

	January 1, 2021	Recognized in profit or loss	Recognized in equity	December 31, 2021
	AMD'000	AMD'000	AMD'000	AMD'000
<i>Deferred tax assets</i>				
Non-current financial assets	2,057,580	-	-	2,057,580
Trade and other receivables	79,237	-	-	79,237
Tax loss	-	439,278	-	439,278
Provision for salary	7,053	2,883	-	9,936
	<u>2,143,870</u>	<u>442,161</u>	<u>-</u>	<u>2,586,031</u>
<i>Deferred tax liabilities</i>				
PPE	(1,112,703)	(38,517)	-	(1,151,220)
	<u>(1,112,703)</u>	<u>(38,517)</u>	<u>-</u>	<u>(1,151,220)</u>
<b>Net result-deferred tax assets</b>	<u>1,031,167</u>	<u>403,644</u>	<u>-</u>	<u>1,434,811</u>

Deferred taxes for the year ended December 31, 2020 are grouped as follows:

	January 1, 2021	Recognized in profit or loss	Recognized in equity	December 31, 2021
	AMD'000	AMD'000	AMD'000	AMD'000
<i>Deferred tax assets</i>				
Non-current financial assets	2,057,580	-	-	2,057,580
Trade and other receivables	79,237	-	-	79,237
Provision for salary	7,053	-	-	7,053
	<u>2,143,870</u>	<u>-</u>	<u>-</u>	<u>2,143,870</u>
<i>Deferred tax liabilities</i>				
PPE	(1,326,549)	(213,846)	-	(1,112,703)
	<u>(1,326,549)</u>	<u>(213,846)</u>	<u>-</u>	<u>(1,112,703)</u>
<b>Net result-deferred tax assets</b>	<u>817,321</u>	<u>(213,846)</u>	<u>-</u>	<u>1,031,167</u>

## 6. Inventories

	31.12.2021	31.12.2020
	AMD'000	AMD'000
Spare parts	5,664,655	5,714,655
Materials	849,642	1,031,244
Construction materials	82,853	82,790
Other	86,718	91,727
	<b>6,683,868</b>	<b>6,920,416</b>

## 7. Trade and other receivables

	31.12.2021	31.12.2020
	AMD'000	AMD'000
Trade receivables	1,854,850	5,909,879
Allowances for expected credit losses (c)	(440,202)	(440,202)
<b>Total financial assets, other than cash and cash equivalents, at amortized cost</b>	<b>1,414,648</b>	<b>5,469,678</b>
Provided prepayments	2,707	92,071
Allowances for doubtful prepayments	(214)	(89,514)
<b>Net provided prepayments</b>	<b>2,493</b>	<b>2,557</b>
On taxes	710,982	34,446
Deferred taxes on VAT	1,280,799	1,735,004
Other	69,609	229,928
Allowances for doubtful trade payables	-	(129,720)
	<b>3,478,531</b>	<b>7,341,894</b>

a) The fair value of trade and other receivables classified at amortized cost does not differ materially from the carrying amount.

b) The Company's trade receivables are not ensured with collateral and other guarantees.

c) As of 31.12.2021, the amount of the loss of solvency assessed for the full term of 440,202 thousand AMD for trade receivables (as of 31.12.2020: 404,202 thousand AMD) was equal to the value of the receivables. At the reporting date, past due receivables refer to "Artsakh Energo" CJSC. The main factor that the management considers these past due amounts impaired is that these consumers are unlikely to be able to repay those debts over a certain period of time. In case of default within 30 days, the receivables are considered to be past due. At the end of the previous year, balances of past due debts have not been settled. The maturity of impaired receivables is more than one year.

## 8. Cash

	31.12.2021	31.12.2020
	AMD'000	AMD'000
Bank balances (AMD)	148,865	122,988
Bank balances (foreign currency)	25,222	11,556
Cash on desk	47	208
Term deposits	-	11,100,000
	<b>174,134</b>	<b>11,234,752</b>

## 9. Bank deposits

The main conditions of bank deposits are presented below:

	Currency	Interest rate	Maturity date	31.12.2021	31.12.2020
				AMD'000	AMD'000
Bank deposits in the Bank of RA	AMD	10.5%-12%	2022	13,284,000	-
Bank deposits in the Bank of RA	AMD	13.4%	2021	-	-
Expected credit losses				(81,814)	-
				<b>13,202,186</b>	<b>-</b>

Bank deposits are invested in large and financially stable banks of Armenia.

## 10. Equity

### 10.1 Share capital

In the reporting year the number of shares of the was 2,277,105 (2020: 2,273,147). As of 31.12.2021 the nominal value of one share of the Company is set to 815 AMD (2020: 815 AMD)

### 10.2 Paid-in-capital

The share premium was generated as a result of lower share prices in previous years:  
The last time the share price changed was on 09.08.2018, the price of one share was set at 815 AMD, according to the Decree of the Government of the RA No. 884-U on reducing the company's share capital. Before that, the price per share of the company was 4,586 AMD.

### 10.3 Capital reserve

In accordance with the law "On joint stock companies" and the Company's Charter the Company's distributable reserves are limited to the balance of retained earnings.

According to legal requirements the Company is required to create a reserve from its retained earnings for an amount of up to 15% of its share capital.

As at December 31, 2021 the Company has not retained earnings and has not created a reserve capital.

### 10.4 Revaluation reserve

The revaluation reserve arises on the revaluation of property, plant and equipment (4.d note).

11. Loans and borrowings

	Current		Non-current	
	31.12.21	31.12.2020	31.12.21	31.12.2020
	AMD'000	AMD'000	AMD'000	AMD'000
Secured loans from the Ministry of Finance (b)	4,816,708	4,648,638	100,345,796	124,417,713
Other loans (c)	4,593,490	4,593,490	-	-
	<b>9,410,198</b>	<b>9,242,128</b>	<b>100,345,796</b>	<b>124,417,713</b>

a) The fair value of loans and borrowings classified as financial liabilities at amortized cost does not significantly differ from the carrying amount.

b) As described in note 1, loan agreement on implementation of “Yerevan Combined Cycle Co-generation Power Plant Project” was signed on March 29, 2005 between the Government of the Republic of Armenia and Japan International Cooperation Agency (JICA). Based on the said agreement JICA provided an Official Development Assistance (ODA) loan to the Government of the Republic of Armenia with preferential terms: annual interest rate of 0.75% and 40 years of repayment period (including grace period of 10 years) by extending 24,409,000 thousand Japanese Yens. A sub loan agreement was concluded between the Ministry of Finance and the Company in March 2005 and June 2016 with the same terms. Loans received by the RA Ministry of Finance have been provided by the Ministry of Finance with promissory notes.

c) Interest free borrowing from Vorotan HPPS, from which 4,593,490 thousand drams have been transferred to the Company based on the assignment agreement.

Refer to note 21 for more information about the Company’s exposure to interest rate and foreign currency risks.

YEREVAN THERMAL POWER CENTRE CJSC

Notes forming part of the financial statements  
For the year ended 31 December 2021

11.1 Terms of loans and borrowings

AMD'000

Loans	31.12.2020	During 2021				31.12.2021
		Providing	Interest accrued	Exchange rate difference	Repayment	
<b>Secured loan from the Ministry of Finance</b>						
Yerevan Combined Cycle Co-generation Power Plant Project (JICA, ARM-P2)	107,596,840	-	709,466	(18,559,876)	(4,747,651)	84,998,779
Power Sector Financial Recovery Program (IBRD 8615-AM)	10,741,310	302,228	132,330	(900,734)	(104,152)	10,170,982
Power Transmission Improvement Project (IBRD 8495-AM) (IBRD 8495-AM)	8,721,928	-	104,732	(708,958)	(131,260)	7,986,442
Power Transmission Improvement Project (IBRD 8495-AM) Co-financing	2,006,275	-	25,104	-	(25,078)	2,006,301
<b>Borrowings</b>	<b>129,066,353</b>	<b>302,228</b>	<b>971,632</b>	<b>(20,169,568)</b>	<b>(5,008,141)</b>	<b>105,162,501</b>
- Vorotan	4,593,490	-	-	-	-	4,593,490
<b>Total</b>	<b>133,659,843</b>	<b>302,228</b>	<b>971,632</b>	<b>(20,169,568)</b>	<b>(5,008,141)</b>	<b>109,755,994</b>

YEREVAN THERMAL POWER CENTRE CJSC

Notes forming part of the financial statements  
For the year ended 31 December 2021

12. Trade and other payables

	31.12.2021	31.12.2020
	AMD'000	AMD'000
Trade payables	15,358,056	16,128,400
Other trade payables	3,500,000	3,500,000
Taxes and duties payable	43,597	61,250
Payables to employees	75,101	34,394
	<b>18,976,754</b>	<b>19,724,044</b>

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

13. Revenue from contracts with customers

The Company has disaggregated revenue into various categories in the following table which is intended to depict the nature, amount, timing and uncertainty of revenue.

*The year ended 31.12.2021*

	AMD'000				
	Sale of electricity (a)	Provision of capacity (b)	Sale of natural gas (c)	Exchange transaction, sale of electricity	Total
RA territory	3,241,730	11,361,286	3,401,235	-	18,004,251
Abroad	22,657,662	-	-	84,984	22,742,646
	<b>25,899,392</b>	<b>11,361,286</b>	<b>3,401,235</b>	<b>84,984</b>	<b>40,746,897</b>
Electricity	25,899,392	-	-	84,984	25,984,376
Gas	-	-	3,401,235	-	3,401,235
Power provision	-	11,361,286	-	-	11,361,286
	<b>25,899,392</b>	<b>11,361,286</b>	<b>3,401,235</b>	<b>84,984</b>	<b>40,746,897</b>

31.12.2020 year ended

	Electricity sales (a)	Providing power (b)	Gas sales (c)	Transfer transaction sale of electricity (d)	AMD'000 Total
<b>Geographical range</b>					
RA territory	14,508,685	11,168,178	15,943,866	-	41,620,729
Abroad	32,102,143		1,566,625	2,020,242	35,689,010
	<b>46,610,828</b>	<b>11,168,178</b>	<b>17,510,491</b>	<b>2,020,242</b>	<b>77,309,739</b>
Electricity	46,610,828	-	-	2,020,242	48,631,070
Gas	-	-	17,510,491	-	17,510,491
Power provision	-	11,168,178	-	-	11,168,178
	<b>46,610,828</b>	<b>11,168,178</b>	<b>17,510,491</b>	<b>2,020,242</b>	<b>77,309,739</b>

- a) Revenue from the sale of electricity is recognized on a monthly basis based on the amount of electricity actually transferred.  
The tariff for electricity sold by the company is set by the Public Services Regulatory Commission of the RA.

Electricity Tariff (without VAT).

Date of application	AMD / kWh
01.08.2015	18.500
01.08.2016	17.767
01.02.2017	15.460
01.02.2018	20.284
01.02.2019	17.015
01.02.2020	16.144
01.02.2021	1.88

- b) Revenue from the provision of power comes during the downtime of the station and is recognized monthly based on the hours of downtime.

Tariff for the provision of capacity (without VAT)

Date of application	AMD / kWh
01.08.2015	3,564.11
01.08.2016	4,707.83
01.02.2017	5,102.30
01.02.2018	4,950.62
01.02.2019	4,656.47
01.02.2020	4,604.67
01.02.2021	4,418.18

- c) Revenue from the sale of natural gas is recognized on a monthly basis based on the volume actually transferred.

According to the agreement, the YTPC acquires gas, in return for which it supplies the supplier with electricity, applying the appropriate coefficient.

At the same time, the Company transfers part of the gas at the same point to a third organization, the rest is used for electricity generation;

The third party, in return for the gas received, provides the Company with electricity at the same point with a different coefficient established by the contract, which the company, in turn, fully transfers to the gas supplier.

The company's management has made reasonable judgments to determine whether the company is a Principal or an Agent with respect to the requirements of IFRS in this circumstance:

Considering that the company is primarily responsible for the execution of the contract, the resolution of contract issues and the quality and compliance of the delivered goods, the company's management considered that the company is the main party in these transactions, therefore recognized revenue on a gross basis.

c) transaction of flows sale of electricity

According to the agreement, YTPC supplies electricity to the company that is a party of the agreement: The electricity supply is carried out for a certain period of time, conditioned by weather conditions. The company, which is a party to the contract, compensates the corresponding amount of electricity to the YTPC in the agreed way and amount.

**14. Cost of sale**

	2021	2020
	AMD'000	AMD'000
The cost of gas and other materials used in production	30,232,444	27,578,045
Cost of gas sold	3,323,184	17,495,419
Cost of electricity sold	517,236	18,441,568
Depreciation and amortization expenses	5,035,853	4,771,532
Energy and gas transportation services	2,941,854	2,915,276
Compensation to employees	479,494	422,050
	<b>42,530,065</b>	<b>71,623,890</b>

**15. Administrative expenses**

	2021	2020
	AMD'000	AMD'000
Employee remuneration	339,198	239,096
Depreciation expense	208,067	211,271
Nonrefundable taxes and duties	107,455	115,293
Audit and consulting	36,947	41,918
Office and utility expenses	13,772	16,546
Other	19,107	25,518
	<b>724,546</b>	<b>649,642</b>

#### 16 Other expenses

	2021	2020
	AMD'000	AMD'000
Depreciation	422,959	437,481
Costs of security	130,355	130,355
Expected credit loss on deposits	81,814	-
Provision for potential income tax	7,779	70,688
Asset valuation fee	7,250	750
Currency conversion costs	2,661	8,609
PPE revaluation costs	1,247	-
Fines and penalties	112	5,677
Other	15,359	47,630
	<b>669,536</b>	<b>701,190</b>

#### 17. Financial income and expenses

	2021	2020
	AMD'000	AMD'000
Interest income from deposits invested in commercial banks	1,794,991	1,419,725
Interest expense on loans from the Ministry of Finance	(971,632)	(1,171,405)
	<b>823,359</b>	<b>248,320</b>

#### 18. Foreign exchange gain/(loss), net

	2021	2020
	AMD'000	AMD'000
On accounts receivable	(707,879)	382,464
On loan and borrowings	20,169,567	(15,931,825)
On accounts payable	978,879	(408,538)
On cash	(4,429)	2,112
	<b>20,436,138</b>	<b>(15,955,787)</b>

#### 19. Income tax

The income tax rate for the reporting year is set at 18% (2020: 18%) according to the Tax Code of the Republic of Armenia.

	2021	2020
	AMD'000	AMD'000
Current tax expense	-	856,786
Income tax compensation	(403,644)	(213,846)
Income tax expense/(compensation)	<b>(403,644)</b>	<b>642,940</b>

#### Comparison of the effective income tax rate

	2021		2020	
	AMD'000	%	AMD'000	%
Profit/(loss) before taxation	<b>18,164,167</b>		<b>(11,328,662)</b>	
Income tax at the established rate	3,269,550	18	(2,039,159)	18
Tax consequence of other non-deductible expenses/ (non-taxable income), net	(3,673,194)	(20)	2,682,099	(24)
<b>Income tax expense / (compensation) and effective interest rate</b>	<b>(403,644)</b>	<b>(2)</b>	<b>642,940</b>	<b>(6)</b>

## 20. Transactions with related parties

The Government of the Republic of Armenia owns 100 % of the Company's shares, hence all state-owned enterprises are considered related to the Company. The Company's related parties include also key management.

### 20.1 Control

The company is controlled by the Government of the Republic of Armenia represented by the Ministry of Territorial Administration and Infrastructure.

### 20.2 Transactions with related parties

The following transactions between the related parties of the Company were made during the reporting year:

	Year ended 31, December, 2021	Year ended 31, December, 2020
	AMD'000	AMD'000
<b>Shareholders</b>		
Accrual of interest expense	971,632	1,171,405
Repayment of accrued interest	991,133	1,220,708
Borrowings received	302,228	331,857
Repayment of the principal amount of borrowings	4,017,008	3,965,075
<b>Organizations under common control</b>		
Purchase of services	699,400	2,068,771
Purchase of goods	165	353
PPE investment	3,226	-
PPE sale	4,953	-

	Year ended 31, December, 2021	Year ended 31, December, 2020
	AMD'000	AMD'000
Loans and borrowings from Ministry of Finance of RA	105,162,505	129,066,353
Trade payables	83,776	518,712
Other borrowings	4,593,490	4,593,490
Other payables	3,500,000	3,500,000
Trade receivables	4,128	-

### 20.3 Compensations to key management

During reporting period, the compensations to key management of the Company are the following:

	2021	2020
	AMD'000	AMD'000
Salaries and other short-term reimbursements	24,643	10,196
	<b>24,643</b>	<b>10,196</b>

## 21. Financial Instruments risks

The Company activities expose it to a variety of financial risks:

- debt risk
- fair value interest rate risk, cash flow interest rate risk
- foreign currency risk
- other price risk
- liquidity risk.

The Company may be exposed to risks arising from its use of financial instruments as it is typical of 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 financial instruments, the Company's objectives, policy, risk management processes and their measurement methods.

### (a) Primary financial instruments

The main financial instruments of the Company, from which financial instruments risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Loans and borrowings

### (b) Financial instruments by categories

The balances presented in the financial statements relate to the following groups of assets and liabilities:

#### *Financial assets*

	Note	2021 AMD'000	2020 AMD'000
<i>Measured at amortized cost</i>			
Trade receivables	7	1,414,649	5,469,678
Cash in banks	8	174,087	11,234,544
Bank deposits	9	13,202,186	-
<b>Total</b>		<b>14,790,922</b>	<b>16,704,222</b>

#### *Financial liabilities*

	Note	2021 AMD'000	2020 AMD'000
<i>Measured at amortized cost</i>			
Loans and borrowings	11	109,755,995	133,659,843
Trade payables	12	15,358,056	16,128,400
<b>Total</b>		<b>125,114,051</b>	<b>149,788,243</b>

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

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

Carrying amount of cash and cash equivalents, trade receivables, loans and borrowings, trade and other payables equals their fair value as a result of their short-term nature.

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

The goal of the company is to establish a policy that will reduce the risk as much as possible, not focusing on its competitiveness and flexibility. Details of this policy are presented below.

## 21.1 Market risk

### 21.1.1 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The management assessed that the fair value of the financial assets and liabilities does not materially differ from their carrying value as at reporting date.

### 21.2 Credit risk

Credit risk is the risk the Company could incur financial losses resulted from the third party's failure to discharge their obligations toward the Company. Credit risk arises from different financial instruments, such as, trade and other receivables, borrowings provided requirements for financial institutions, and other. The maximum impact of credit risk is presented at following carrying amount of financial assets.

	31.12.2021	31.12.2020
	AMD'000	AMD'000
Trade receivables	1,414,649	5,469,678
Balances at banks	174,087	11,234,544
Bank deposits	13,202,186	-
	<b>14,790,922</b>	<b>16,704,222</b>

Trade receivables of the Company are mainly the receivables amounts from "Electric Networks of Armenia" CJSC. The credit risk is acceptable for these trade receivables.

The information on the aging and uncollectible risk of trade and other receivables are presented in note 7.

The credit risk of cash and cash equivalents is acceptable, as the contractual partners are reputable banks.

### 21.3 Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The transactions of the Company are mainly implemented in Armenian drams. Company's exposure to the currency risk relates to loans and borrowing received by the Company, which are initially expressed in Japanese Yen, USD and EURO.

As of 31 December 2021, the Company's foreign currency assets/(liabilities) are as follows:

Articles in foreign currency	USD	EUR	JPY	Total
	AMD'000	AMD'000	AMD'000	AMD'000
<b>Financial assets</b>				
Cash	13,789	11,150	-	24,939
Trade receivables	22	-	-	22
	<b>13,811</b>	<b>11,150</b>	-	<b>24,961</b>
<b>Financial liabilities</b>				
Loans and borrowings	(18,157,423)	-	(84,998,780)	(103,156,203)
Payables	(3,801,487)	-	-	(3,801,487)
	<b>(21,958,910)</b>	-	<b>(84,998,780)</b>	<b>(106,957,690)</b>
<b>Net result</b>	<b>(21,945,099)</b>	<b>11,150</b>	<b>(84,998,780)</b>	<b>(106,932,729)</b>

**YEREVAN THERMAL POWER CENTRE CJSC**  
Notes forming part of the financial statements  
For the year ended 31 December 2021

As of 31 December 2020, the Company's foreign currency assets/(liabilities) are as follows:

Articles in foreign currency	USD	EUR	JPY	Total
<b>Financial assets</b>	AMD'000	AMD'000	AMD'000	AMD'000
Cash	10,799	814	-	11,613
Trade receivables	1,615,190	-	-	1,615,989
	<b>1,625,989</b>	<b>814</b>	<b>-</b>	<b>1,626,803</b>
<b>Financial liabilities</b>				
Loans and borrowings	(19,463,237)	-	(107,596,840)	(127,060,077)
Payables	-	(6,009)	-	(6,009)
	<b>(19,463,237)</b>	<b>(6,009)</b>	<b>(107,596,840)</b>	<b>(127,066,086)</b>
<b>Net result</b>	<b>(17,837,248)</b>	<b>(5,195)</b>	<b>(107,596,840)</b>	<b>(125,439,283)</b>

The following table presents the sensitivity of the Company financial results to the increase/decrease of dram against the mentioned currencies by 10%. The 10% is a possible change based on the management's assessment. The sensitivity analysis includes only foreign currency monetary items and at the end of the period adjusts their exchange rate by 10%.

The 10% of inflation of the AMD against the mentioned currencies as of December 31, 2021 will have the following impact:

	Impact of USD	Impact of Euro	Impact of Yen	Total
	AMD'000	AMD'000	AMD'000	AMD'000
Gain/(Loss)	<u>(2,194,510)</u>	<u>1,115</u>	<u>(8,499,878)</u>	<u>(10,693,273)</u>

The effect of the currency fluctuation is variable during the year depending on foreign currency turnover volume. So above presented analysis is considered to be as a reflection of the company's exposure to foreign exchange risk.

The following interest rates to USD, Yen, Euro are established by the RA Central Bank as of December 31:

	31.12.2021	31.12.2020	AMD Appreciation/ (inflation)
	AMD	AMD	
USD rate is	480.14	522.59	8.12%
EUR rate is	542.61	641.11	15.36%
Yen rate is	41.7	50.63	17.64%

#### 21.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company management constantly monitors liquidity of the Company to ensure enough cash balances for operational activity.

The Company does not have derivative financial liabilities. The following table analyzes the Company's non-derivative financial liabilities grouped by maturity after the report's date.

	Maturity Periods			
	Up to 6 months	Up to 6 months	1 -5 years	More than 5 years
Non-derivative financial liabilities				
On purchase	15,358,056	-	-	-
Borrowings and loans	2,409,439	7,006,129	23,707,532	91,706,396
<b>Total</b>	<b>17,767,495</b>	<b>7,006,129</b>	<b>23,707,532</b>	<b>91,706,396</b>

## 22. Contingencies and liabilities

### 22.1 Insurance

The Company does not have coverage for business interruption and third-party liability arising due to Company's operations.

### 22.2 Contingent liabilities

As at December 31, 2021 and before the date of signing these financial statements there are no litigations initiated against the Company.

### 22.3 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.

## 23. Capital management

The Company manages its capital to ensure that it will be able to continue as going concerns.

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

The Company's as capital-managed amounts for the reporting year are summarized below:

	As at 31 Dec 2021	As at 31 Dec 2020
	AMD'000	AMD'000
Borrowings	109,755,995	133,659,843
Less: cash at bank and on hand	(174,134)	(11,234,752)
Bank deposits	(13,202,186)	-
<b>Net debt</b>	<b>96,379,675</b>	<b>122,425,091</b>
<b>Total equity</b>	<b>1,855,841</b>	<b>1,852,615</b>
<b>Ratio of Capital and Debt</b>	<b>1.93%</b>	<b>1.5%</b>

## 24. Events after the reporting date

### *Russian-Ukrainian conflict*

On February 4, 2022, Russia began military operations in Ukraine. To counter Russia, the European Union and the United States of America, as well as other countries of the world, apply economic and political sanctions against Russia, as a result of which the Russian economy has faced significant problems. Currently, the course of hostilities, the impact of sanctions and the scale of consequences are unpredictable. Given Russia's political and economic influence on Armenia, as well as the fact that the country is a member of the Eurasian Economic Union with Russia's participation, its position may indirectly affect Armenia's financial and economic stability.

Given the unpredictability of these circumstances and their impact, it is difficult for the Company to assess the impact of recent events on the Company's future performance, financial condition and liquidity.

### *Liberalization of the energy market*

Since February 2022, the Armenian electricity market has been gradually moving from a fully regulated structure to a liberalized market structure, gradually introducing components of a competitive market. These changes are aimed at ensuring access of new participants to the electricity market and providing consumers with the opportunity to choose an electricity supplier, as well as stimulating electricity trade with other countries.

As part of the efforts to liberalize the Armenian electricity market and stimulate interstate trade, a phased liberalization of the Armenian electricity market has been launched since February 1, 2022 and it is planned to fully liberalize it by February 1, 2025.

As a result, some power generating stations, including Yerevan Thermal Power Centre CJSC, will not have the tariff formed by the PSRC, and will start selling their electricity at the price formed as a result of supply and demand in the market: They will become participants in the wholesale market, as a result of which the subjects will purchase electricity in market conditions.

**25. Fair Value measurement disclosures**

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

Item	Fair value AMD'000	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Loans and Borrowings	109,755,995	<u>Current</u> The carrying amount of borrowings approximates their fair value	Level 3	N/A
Trade receivables	1,414,649	<u>Current</u> The carrying amount of short term (less than 12 months) trade receivables approximates their fair value	Level 3	N/A
Trade payables	15,358,056	<u>Current</u> The carrying amount of short term (less than 12 months) trade payables approximates their fair value	Level 3	N/A