

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Management of NIVA ENERGO Limited Liability Company**

#### **Opinion**

We have audited accompanying preliminary financial statements of NIVA ENERGO LLC (the Company), which comprise the preliminary statement of financial position as at 31 December 2017, and the preliminary statement of comprehensive income, preliminary statement of changes in equity and preliminary 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 preliminary financial statements present in all material respects the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended 31 December 2017 in accordance with the basis of accounting set out in Note 2, which describes how IFRS have been applied in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards", including the assumptions the management has made about the standards and interpretations expected to be effective, and the accounting policies expected to be adopted, when the management prepares its first complete set of IFRS financial statements as at 31 December 2018.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Company in accordance with *the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Basis of Accounting and Restriction on Use**

Without qualifying our opinion, we draw your attention to the fact that the preliminary financial statements have been prepared in connection with the Company's conversion of the basis of preparation of its financial statements to IFRS. Note 2 explains why there is a possibility that these preliminary financial statements may require adjustments before constituting the final IFRS financial statements. Moreover, we draw attention to the fact that, under IFRS, only a complete set of financial statements comprising statements of financial position, comprehensive income, changes in equity and cash flows, together with comparative financial information and explanatory notes, can provide a fair presentation of the Company's financial position, results of operations and cash flows in accordance with IFRS. As a result, the preliminary financial statements may not be suitable for another purpose.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation of these preliminary financial statements in accordance with the principles of conversion to IFRS set out in Note 2, and for such internal control as management determines is necessary to enable the preparation of preliminary financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the preliminary financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

concern basis of accounting unless management either intends to liquidate Company's or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the preliminary financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these preliminary 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 preliminary financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the preliminary financial statements, including the disclosures, and whether the preliminary financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management 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.

#### **Partner**

"BAKER TILLY UKRAINE" LLP

23 March 2018

Kyiv, Ukraine

Registration # 18-040.3



Vladimir Mukomela

**NIVA ENERGO LLC**

Preliminary Financial Statements for the year ended 31 December 2017

**PRELIMINARY STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2017**

*In thousands of UAH*

	Note	2017
Revenues	6	1 304
Cost of sales	7	(12 219)
<b>Gross loss</b>		<b>(10 915)</b>
General and administrative expenses	8	(366)
<b>Operating loss</b>		<b>(11 281)</b>
Foreign exchange loss, net	9	(23 813)
<b>Loss before income tax</b>		<b>(35 094)</b>
Income tax expense		-
<b>Loss for the period</b>		<b>(35 094)</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(35 094)</b>

Approved for issue and signed on behalf of Management on 23 March 2018.

Andriy Simonovych  
Director

The accompanying notes are an integral part of these preliminary financial statements.

**PRELIMINARY STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2017**

<i>In thousands of UAH</i>	<b>Note</b>	<b>31 December 2017</b>	<b>1 January 2017</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	381 856	-
Value added tax receivables		4 348	-
<b>Total non-current assets</b>		<b>386 204</b>	<b>-</b>
<b>Current assets</b>			
Inventories	11	227	-
Trade and other receivables	12	710	-
Loans issued	17	47 000	-
Prepayments		90	-
Value added tax receivables		25 439	-
Cash and cash equivalents	13	7	-
<b>Total current assets</b>		<b>73 473</b>	<b>-</b>
<b>Total assets</b>		<b>459 677</b>	<b>-</b>
<b>Equity</b>			
Issued capital	14	1	-
Accumulated deficit		(35 094)	-
<b>Total equity</b>		<b>(35 093)</b>	<b>-</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables for purchase of non-current assets		268 264	-
Other current borrowings	15	226 252	-
Trade and other payables	16	254	-
<b>Total current liabilities</b>		<b>494 770</b>	<b>-</b>
<b>Total liabilities</b>		<b>494 770</b>	<b>-</b>
<b>Total equity and liabilities</b>		<b>459 677</b>	<b>-</b>

The accompanying notes are an integral part of these preliminary financial statements.

**NIVA ENERGO LLC**Preliminary Financial Statements for the year ended 31 December 2017

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**PRELIMINARY STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2017**

<i>In thousands of UAH</i>	<b>Share capital</b>	<b>Accumulated deficit</b>	<b>Total</b>
<b>Balance as at 1 January 2017</b>	-	-	-
Loss for the period	-	(35 094)	<b>(35 094)</b>
Other comprehensive income for the period	-	-	-
<b>Total comprehensive income for the period</b>	-	<b>(35 094)</b>	<b>(35 094)</b>
Issued capital	1	-	1
<b>Balance as at 31 December 2017</b>	<b>1</b>	<b>(35 094)</b>	<b>(35 093)</b>

The accompanying notes are an integral part of these preliminary financial statements.

**PRELIMINARY STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2017**

<i>In thousands of UAH</i>	<b>Note</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Loss before income tax		(35 094)
Adjustments for:		
Depreciation of property, plant and equipment	10	10 954
Foreign exchange loss, net	9	23 813
<b>Operating cash flows before working capital changes</b>		<b>(327)</b>
Changes in value added tax receivables		(29 787)
Changes in inventories		(227)
Changes in trade and other receivables		(710)
Changes in loans issued		(47 000)
Changes in prepayments		(90)
Change in trade and other payables		254
<b>Net cash from operating activities</b>		<b>(77 887)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment		(148 359)
<b>Net cash used in investing activities</b>		<b>(148 359)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issued capital		1
Proceeds from loans issued by non-financial institution		233 752
Repayment of borrowings		(7 500)
<b>Net cash (used in)/generated from financing activities</b>		<b>226 253</b>
<b>Net increase in cash and cash equivalents</b>		<b>7</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>7</b>

The accompanying notes are an integral part of these preliminary financial statements.