



Kosovo Energy Corporation J.S.C

**Independent Auditors' Report and
financial statements for the year
ended December 31, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of Kosovo Energy Corporation J.S.C

Opinion

We have audited the financial statements of Kosovo Energy Corporation J.S.C. (the Company), which comprise: the statement of financial position as at December 31, 2018, the statement of comprehensive income, statement of changes in equity, and 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 the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *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 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.

Emphasis of matter:

We draw attention to the following:

- i. As disclosed in Note 4 to the accompanying financial statements during 2018, the Company has identified that previous financial statements have had material misstatements in the recognition, measurement, presentation and disclosure of the elements included in the financial statements. As a result, these misstatements have been improved by revising the initial balance sheet and the comparisons as of December 31, 2017. More specifically, the amounts reported in the prior periods in which the misstatements were made have been restated, and, if the misstatements occurred prior to the prior reporting period, initial equity balances have been reclassified to reflect the effects of the correction.
- ii. As disclosed in Note 5 to the accompanying financial statements, included property, plant and equipment are certain assets, which are under the control of the Company but for which the Company does not possess of obtaining property deeds, the company is in the process of obtaining ownership documentation however the timing and the outcome of the process cannot be determined with any reasonable accuracy, at this stage.



- iii. As disclosed in note 15 to the accompanying financial statements the Company's activities give rise to the need of significant future costs related to environmental damage and decommissioning of its long term assets. . As at December 31, 2018 the balance of provision reload of these environmental costs reaches Euro 29,500 thousand In addition the Company has disclosed in Note 28, estimated decommission cost which are not recognized as a legislation to carry out the decommissioning of its assets. The ultimate settlement amount of these provisions is dependent upon periodic assessments of environmental impacts and future changes of the legislation in relation to decommissioning liabilities. The actual amounts may materially differ from these estimates.
- iv. As disclosed in Note 28 to the accompanying financial statements, the Company's financial statements for the year ended December 31, 2015 to the year 2018 are subject to inspection by local tax authorities. The Company's management used its best estimate and judgment to comply with the tax laws including the use of results previous tax inspections .However until completion of the tax authorities inspection, tax expenses, liabilities and prepayments as disclosed in these financial statements may not be considered finalized. A provision for additional taxes penalties, if any, that may be levied, cannot be determined with any reasonable accuracy, at this stage.

Our opinion is not modified in respect of the matters as detailed in paragraphs (i) to (v) above.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.



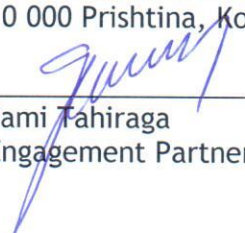
As part of an audit in accordance with ISA s, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.
- Assess the overall presentation, structure and content of the financial statements, including information provided, and whether the financial statements present transactions and events fairly

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Prishtina, April 18 2019

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Sami Tahiraga
Engagement Partner

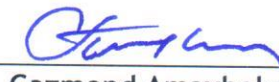
BDO
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audit, accounting and financial advisory
Prishtina, Kosovo

KOSOVO ENERGY CORPORATION J.S.C.
Statement of Financial Position
As at December 31, 2018

	Notes	As at December 31 2018 (in 000 Euro)	As at December 31 2017 (in 000 Euro) (restated)	As at January 01 2017 (in 000 Euro) (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	6	313,164	284,146	305,721
Intangible assets	7	16	17	44
Total non-current assets		313,180	284,163	305,765
Current assets				
Inventories	8	19,196	20,497	22,950
Trade and other receivables, net	9	25,963	22,854	22,212
Income tax receivables		431	1,918	3,349
Cash on hand and at banks	10	62,715	89,609	63,305
Total current assets		108,305	134,878	111,816
TOTAL ASSETS		421,485	419,041	417,581
EQUITY AND LIABILITIES				
Shareholder's equity	11	25	25	25
Accumulated (losses)	12	563,142 (433,836)	565,797 (451,452)	565,772 (471,705)
Total Shareholder's equity		129,331	114,370	94,092
Liabilities				
Non-current liabilities				
Borrowings - noncurrent portion	13	160,917	171,804	182,680
Deferred grants	14	27,220	33,120	39,037
Provisions	15	50,976	50,728	54,672
Deferred tax liability	26	14,404	11,749	11,773
Total non-current liabilities		253,517	267,401	288,162
Current liabilities				
Borrowings - current portion	13	11,516	11,309	7,550
Trade and other payables	16	21,171	20,551	20,234
Accrued expenses	17	5,950	5,410	7,543
Total current liabilities		38,637	37,270	35,327
Total liabilities		292,154	304,671	323,489
TOTAL EQUITY AND LIABILITIES		421,485	419,041	417,581

These financial statements have been approved for issue on behalf of the Management and signed on its behalf on March 27, 2019


Mr. Njazi Thaçi
 Managing Director


Mr. Gazmend Amaxhekaj
 Financial Director

The accompanying notes 1 to 32 are an integral part of these financial statements.

KOSOVO ENERGY CORPORATION J.S.C.
Statement of Profit or Loss and Comprehensive Income
For the year ended December 31, 2018

	Notes	As at December 31, 2018 (in 000 Euro)	As at December 31, 2017 (in 000 Euro) (restated)
Sales	18	156,181	160,464
Income from grants	19	5,900	5,917
Other income	20	3,067	5,836
		<u>165,148</u>	<u>172,217</u>
OPERATING EXPENSES			
Depreciation and amortization	6,7	(38,957)	(35,125)
Staff costs	21	(51,201)	(48,242)
Electricity and other utilities	22	(15,242)	(19,797)
Maintenance costs		(3,603)	(3,381)
Materials and supplies		(3,843)	(6,940)
Lignite royalty fee	17	(21,518)	(22,734)
Release of/Provision for write down of inventories	8	(1,782)	(643)
Loss from impairment of receivables	9	-	-
Change in provisions	15	(248)	929
Other operating expenses	23	(6,633)	(10,281)
		<u>(143,027)</u>	<u>(146,214)</u>
Profit from operations		22,121	26,003
Finance expense/(Income), net	24	(2,266)	(2,882)
Profit before taxation		19,855	23,121
Taxation	25	(2,239)	(2,868)
Net Profit for the year		17,616	20,253
Other comprehensive income for the year		-	-
Deferred tax effect on revaluation of property, plant and equipment	26	(2,655)	25
Total comprehensive income for the year		14,961	20,278

The accompanying notes 1 to 32 are an integral part of these financial statements.

KOSOVO ENERGY CORPORATION J.S.C.
Statement of Changes in Equity
For the year ended December 31, 2018

	Share capital	Reserves	Accumulated (losses)	Total
	(in 000 Euro)			
Balance as at 1 January 2017	25	565,772	(463,912)	101,885
Correction for changes in estimate			(7,793)	(7,793)
Corrections for error changes				
Total Equity restated on January 1, 2017	25	565,772	(471,705)	94,092
Balance on January 1, 2017 (restated)	25	565,772	(471,705)	94,092
Profit for the year (restated)	-	-	20,253	20,253
Other comprehensive income (restated)	-	25	-	25
Total comprehensive income (restated)		25	20,253	20,278
Balance as at December 31, 2017 (restated)	25	565,797	(451,452)	114,370
Balance as at 1 January 2018	25	565,797	(451,452)	114,370
Profit for the year				17,616
Other comprehensive income		(2,655)		(2,655)
Total comprehensive income		(2,655)	17,616	14,961
Balance as at December 31, 2018	25	563,142	(433,836)	129,331

The accompanying notes 1 to 32 are an integral part of these financial statements.

KOSOVO ENERGY CORPORATION J.S.C.
Statement of Cash Flows
For the year ended December 31, 2018

		For the year ended December 31, 2018 (in 000 Euro)	For the year ended December 31, 2017 (in 000 Euro) (restated)
	Notes		
Cash flows from operating activities			
Profit before tax		19,855	23,121
Adjustments for non-cash items:			
Depreciation and amortization	6,7	38,957	35,125
Amortization of grants	19	(5,900)	(5,917)
Interest Income	24	-	-
Interest Expenses	24	2,266	2,882
Provision for doubtful debts	9	-	-
Provision for environmental and pension costs	15	248	(3,944)
Provision for write down/back of inventories	8	1,782	643
Loss of damaged equipment	23	-	-
Property, plant and equipment written off	23	100	104
Profit before changes in operating assets and liabilities		57,308	52,014
Decrease/(Increase) in inventories		(481)	1,810
Decrease/(Increase) in trade and other receivables		(1,622)	1,159
Decrease in trade and other payables and accrued expenses		2,029	(1,816)
Cash generated from operating activities		57,234	53,167
Interest received		-	-
Interest paid		(2,069)	(3,283)
Income tax paid		(3,139)	(2,360)
Net Cash flows from Operating Activities		52,026	47,524
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(68,044)	(13,670)
Cash used in investing activities		(68,044)	(13,670)
Cash flows from financing activities			
Loans paid during the year		(10,876)	(7,550)
Cash generated from financing activities		(10,876)	(7,550)
Net increase in cash equivalents		(26,894)	26,304
Cash and equivalents at the beginning of the year		89,609	63,305
Cash and equivalents at the end of the year	10	62,715	89,609

The accompanying notes 1 to 32 are an integral part of these financial statements.

KOSOVO ENERGY CORPORATION J.S.C.

Notes to the financial statements for the year ended December 31, 2018

1. GENERAL INFORMATION

Kosovo Energy Corporation J.S.C. ("the Company" or "KEK") is shareholding Company incorporated in Kosovo and registered with the Kosovo Business Registration under Reg. No. 70325399 dated December 27, 2005. The Company was transformed into a Joint Stock Company (J.S.C.) under United Nation Interim Administration Mission in Kosovo ("UNMIK") regulation No. 2001/6. The address of its registered head office is: Mother Teresa Street No. 36, 10 000 Prishtina, Kosovo.

The Company's initial registered capital amounts to Euro 25 thousand. The Company's books have been opened as of January 1, 2005 based on the Financial Due Diligence Report as at January 1, 2005 by an independent evaluator.

The Company is 100% subsidiary of Kosovo Energy Corporation Holding J.S.C, where in accordance with Law No. 03/L-087 dated June 13, 2008 on "Law on Publicly Owned Enterprises", Kosovo Energy Corporation J.S.C. "KEK SH.A.", is owned by the Republic of Kosovo.

The Company's principal activities are generation and mining activities as extraction of lignite used in its thermal power plants.

The Company's current operational structure consists of the corporate headquarters and the following divisions:

- Lignite Production Division;
- Electricity Production Division - Kosova B;
- Electricity Production Division - Kosova A;

The License of Kosovo Energy Corporation - Generation Division (KEK JSC) - TPP Kosovo A for electricity generation is extended for the period from 4th of October 2016 until 4th of October 2017 (license number ERO / Li_05 / 13_A,) from the Energy Regulatory Office.

The License of Kosovo Energy Corporation - Generation Division (KEK JSC) - TPP Kosovo B for electricity generation is given for the period from 4th of October 2006 until 4th of October 2026 (license number ZRRE_Li_05/13_B) from the Energy Regulatory Office (ERO).

Whereas on December 23, 2014 the License of Kosovo Energy Corporation (KEK JSC), Generation Division "TPP Kosova B", with license number ZRRE/Li_05/14_B, is hereby modified into "Electricity and Thermal Energy Cogeneration License" by the Energy Regulatory Office(ERO) with all the all other provisions of the previous license remain in force.

Whereas, on December 20, 2018, the Kosovo Energy Corporation was equipped with the new license ERO / Li_60 / 17 for Electricity Supply with validity from December 20, 2018 to December 19, 2043.

Kosovo Energy Corporation (KEK JSC), during December 2014 started the project for Thermal Energy Cogeneration where the thermal energy is sold to Termokos J.S.C. in order to ensure of heating supply in Prishtina.

The Government of Kosovo decided and begun the privatization process for KEK Distribution Network and Supply Divisions. Hence, as of May 8th, 2013, the supply network and distribution divisions were no longer operated by KEK.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB").

2.2 Basis of preparation

These financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities, as explained in the accounting policies below. Historical cost is generally based on the consideration given in exchange for an asset.

2.3 Going concern assumption

These financial statements have been prepared on a going concern basis.

In making this assumption, management has taken in consideration the fact that the Company's accumulated losses are still significant and as at December 2018 amount to EUR 436 million (2017: EUR 451 million). However, the Company has generated profits in recent years and subsequent to the unbundling of its Distribution and Supply divisions, it is no longer relying on Government grants to support its operations

2.4 Functional Currency

The Company's functional and reporting currency is Euro (EUR), where in accordance with the regulations of the European Monetary Union and instructions issued by the Central Bank of Kosovo, the EUR was adopted as the single legal currency in the territory of Kosovo from January 1, 2002.

2.5 Foreign currency transactions

Transactions denominated in currencies other than EUR are recorded at the exchange rate ruling on the transaction date. Exchange differences resulting from the settlement of transactions denominated in currencies other than EUR are included in the profit or loss using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in currencies other than EUR are translated into EUR at the mid-market exchange rate at the date of the statement of financial position. Foreign currency gains and losses arising from the translation of assets and liabilities are reflected in the profit or loss as foreign exchange translation gains less losses.

Items of property plant and equipment as at January 1, 2005 are stated at deemed cost less accumulated depreciation and impairment, whereas items of property plant and equipment purchased subsequent to January 1, 2005 are stated at cost less accumulated depreciation and impairment, if any.

Deemed cost represents the initial values of the assets assessed by the Company with the help of an independent consultant at the time of conversion from a Corporation to a Joint Stock Company as at January 1, 2005.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Land and forest is carried at deemed cost and is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Land in mines	6 - 50 years
Buildings	10 - 50 years
Industrial Heavy Equipment	10 - 15 years
Vehicles	6 - 7 years
Furniture, fittings and equipment	5 - 7 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

2.7 Intangible assets

Intangible assets comprise of licensed computer software. These are initially stated at cost and subsequently at their cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recorded when these assets are available for use using straight line method whereby the cost of an intangible asset is written off over its estimated useful life.

The Company has recorded the deemed cost of assets, on January 1, 2005, on gross amount basis, where historical costs and impairment restated separately and effects of any write offs during the periods are reflected accordingly.

2.8 Impairment of non - financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments

The Company classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, investments held up to maturity and ready-for-sale investments. The Classification depends on the purpose of each investment. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Initial recognition and de-recognition

Regular-way purchases and sales of financial assets are recognized on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the profit or loss.

Financial assets are derecognized when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

a) Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into the "financial assets at fair value through profit and loss" category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management. Financial assets at fair value through profit or loss are subsequently carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in which they arise. The Company has no assets classified in this category.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through profit and loss or available for sale. Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms.

Trade receivables are classified in this category. They are recognized initially at fair value and subsequently measured at recoverable amounts, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial Instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the profit or loss.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Company's management has the positive intention and ability to hold to maturity. These assets are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debt securities held to maturity is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are subsequently carried at fair value. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognized in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the profit or loss as net realized gains/losses on financial assets. Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit or loss. Dividends on available-for-sale equity instruments are recognized in the profit or loss when the Company's right to receive payments is established. Both are included in the investment income line. The Company has no assets classified in this category.

Fair Values

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis etc.

2.10 Inventories

Materials, spare parts and consumables, principally relate to power plant and mining and are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes expenditures incurred in acquiring the inventories and bringing them to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Materials and spare parts are expensed or capitalized to plant, as appropriate, when installed. A provision for slow moving and obsolete inventories (excluding coal and fuel) is recognized in the profit or loss, based on the management best estimate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Inventories (continued)

Lignite: The Company extracts its coal, which is used in the production process for the generation of electricity at its thermal power plants, from the two mines it operates. Lignite stocks restated at cost, which comprises direct costs of extraction and an appropriate portion of those overheads that have been incurred in extracting it.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and with banks. For cash flow purposes cash and cash equivalents represent cash on hand and unrestricted deposits at banks with a maturity period of three months or less.

2.12 Borrowings

Borrowings represent the loans obtained from financial and government institutions and are measured at their fair value at the time of initial recognition, being the fair value of the consideration received net of the transaction costs incurred. Subsequent to initial recognition borrowings are recognized at amortized cost using the effective interest rate method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of that asset. All other borrowing costs are recognized as an expense in the period in which it incurs.

2.13 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

2.14 Retirement benefit costs

The Company makes no provision and has no obligation for employees pensions over and above the contributions paid into the Kosovo Pension Saving Trust (KPST).

2.15 Short term and other long-term employee benefits

A provision is recognized for employee benefits in respect of wages and salaries, annual leave, medical breaks and jubilee salaries in the period when the relevant service is provided to the undiscounted amount of benefits expected to be paid in exchange for that service. Known shortcomings in employee benefits are measured at the undiscounted amount of benefits expected to be paid in exchange for the relevant service. Liabilities recognized in respect of other long-term employee benefits are measured at the present value of estimated future outflows expected to be made by the Company in relation to the services provided by the employees up to the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Taxation

Taxation has been provided for in the financial statements in accordance with Kosovo tax regulations in force from 01 September 2015, Law no.05/L -029 "On Corporate Income Tax". The income tax charge in the profit or loss for the year comprises current tax and changes in deferred tax.

Current tax

Current tax is calculated on the basis of the expected taxable profit for the year using the tax rates in force at the date of the statement of financial position. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Company liability for current tax is calculated using tax rates that have been substantially or substantially approved by the end of the reporting period. A provision is known for those issues for which tax determination is uncertain, but it is considered likely that there will be a future outflow of funds to a tax authority. Provisions are measured in the best estimate of the amount expected to be paid. The assessment is based on the judgment of tax professionals within the Company based on past experience with these activities and in certain cases on the basis of independent tax advisory councils.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit and are accounted for using the balance sheet method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity like previously revalued PPE treated as deemed cost on transition to IFRS, in which case the deferred tax is also dealt with in equity. Subsequent measurement to the deferred tax liability is also accounted in equity as other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognized in profit or loss, except when it relates to items recognized in other comprehensive income or directly to equity, in which case current and deferred tax is also recognized in other comprehensive income or net income in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Revenue recognition

The company recognizes revenue from its main sources as follows:

Revenues from the sale of electricity

Revenues from the sale of the coal

Revenues from other sales

Revenues from the sale of electricity are recognized when electricity is provided to customers. Billing for electricity sales are made each month within five (5) days of the month following the month in which the consumption of electricity is performed.

Recognition of sales revenues, except rental income, is made in accordance with the requirements of the International Financial Reporting Standard (IFRS 15) Revenues from contracts with the consumer.

The basic principle of IFRS 15 is that an entity recognizes income to describe the transfer of the goods or services promised to customers in an amount reflecting the amount at which the entity expects to have the right in exchange for such goods or services.

Recognition of Customer Contracts Revenues shall be made if all of the following conditions are met: [IFRS 15: 9]

- The contract is approved by the parties to the contract;
- The rights of each party in respect of the goods or services to be transferred can be identified;
- The terms of payment for the goods or services to be transferred can be identified;
- The contract has a commercial substance; and
- It is probable that the amount in which the entity is entitled in return for the goods or services will be collected.

2.18 Government grants

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

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

Additionally the company receives government grants for purchase of electricity when needed. The company defers such grants until the purchase electricity has been delivered and invoiced to the subscribers, which normally occurs within the year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions

A provision is recognized when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation.

2.20 Related parties

Related parties are those where one of the parties is controlled by the other or has significant influence in making financial or business decisions of the other party.

2.21 Commitments and contingencies

Contingent liabilities are not recognized in the financial statements. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. The amount of a contingent loss is recognized as a provision if it is probable that future events will confirm that, a liability incurred as at the date of the statement of financial position and a reasonable estimate of the amount of the resulting loss can be made.

2.22 Events after reporting date

Post-year-end events that provide additional information about a Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. CRITICAL JUDGMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

There are no critical judgements, apart from those involving estimations (see 3.1 below), that the management have made in the process of applying the Company's accounting policies and that have the significant effect on the amounts recognized in these financial statements.

3.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying of the assets and liabilities within the next financial year.

Impairment and useful lives of property, plant and equipment

As described in note 2.6 above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. Any change in continued use of properties or other factor may impact the useful lives of assets and accordingly may significantly change the carrying amount of those assets.

The carrying amount of property, plant and equipment is dependent upon the decisions of the independent energy regulator of Kosovo on determination of energy tariffs. Future changes in the level of tariffs may have significant impact on the carrying amount of the Company's assets.

3. CRITICAL JUDGMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES (CONTINUED)

Provision of receivables and inventories

In normal course of business, the Company makes estimation for recovery and realization of receivables and inventories respectively. Based on this assessment, management records an appropriate provision for impairment of receivables and write-down of inventories. Actual results may differ from estimation.

Assessment of legal cases

Normal course of business, the Company makes estimation for settlement amounts of legal cases as guided by the legal counsel of the Company. On the basis of this estimation, the Company accordingly records the provisions, if any, or discloses the contingent liability. Actual results may differ from estimation.

Assessment Employee Benefits Provisions:

In the normal course of business, the Company assesses the possible amounts to pay the short-term and long-term employee benefits of the company. Based on this assessment, the company accordingly records the provisioning if any. Current results may differ from estimates.

Assessment for environmental, decommissioning and other related matters

Currently there is no binding legal requirement for environmental, decommissioning and other related provisions in Kosovo. The Company regularly performs its internal assessments for such provisions and recognizes them depending on the nature and circumstances around those provisions. Depending on the nature and size of the operations of the Company in future and further on any possible change in legal framework in Kosovo, actual results may differ from the assessments of the Company

4. CORRECTIONS, AMANDAMENTS IN ACCOUNTING POLICIES AND DISCLOSURES

4.1 Corrections

During 2018, the Company has identified that financial statements of previous years have had material errors in the recognition, measurement, presentation and disclosure of the elements included in the financial statements. As a result and in accordance with IAS 8 - Accounting Policies, changes in estimates and errors, these errors have been improved by re-establishing the initial balance sheet and comparative balances.

Specifically, the amounts reported in the previous periods in which the errors have occurred are restated, and, in case the errors occurred before the reported period, initial equity balances have been restated to reflect the effects of correction.

KOSOVO ENERGY CORPORATION J.S.C.**Notes to the financial statements for the year ended December 31, 2018****4. CORRECTIONS, AMANDAMENTS IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)**

The initial balances on January 1, 2017 and December 31, 2017 are re-allocated as follows

	January 1 2017 (in 000 Euro)	December 31 2017 (in 000 Euro)
Statement of Financial Position		
Accumulated losses before correction	(463,912)	(442,954)
Corrected Amount	(7,793)	(8,498)
Accumulated (Losses) after Correction	(471,705)	(451,452)
Provisions before correction	52,333	47,684
Corrected Amount	2,339	3,044
Provisions after correction	54,672	50,728
Trade and other payables before correction	14,780	15,097
Corrected Amount	5,454	5,454
Trade and other payables before correction	20,234	20,551
Comprehensive income for the year		
Changes in provisions before correction		1,634
Corrected Amount		(705)
Changes in provisions after correction	-	929

The company did not recognize the provisions for Jubilee payroll duties for the years 2015-2017. Following the events occurring in 2018 and 2019 where the Company is obliged to pay in some cases the obligation for Jubilee wages, the Company's Management has revalued the Jubilee salary provisions and concluded that an additional provision of EUR 2,002,000 should be recognized in the company's financial statements. (Note 14).

The obligation in the amount of EUR 2,002 thousand was created in the years 2015-2017 as follows:

- Provisions for 2015; EUR 642 thousand
- Provisions for 2016; EUR 654 thousand
- Provisions for 2017; EUR 705 thousand

Also, the company has made a mistake in assessing possible court case provisions, whereby the amount of EUR 1,042 has not been declared as an expense and obligation of 2015. The management after the new estimates has determined that the additional amount of EUR 1,042 thousand is necessary to be reserved and the same is included in the initial balance sheet of 2017. (Note 14).

**4. CORRECTIONS, AMANDAMENTS IN ACCOUNTING POLICIES AND DISCLOSURES
(CONTINUED)**

During 2018-2019 the company was audited by the Tax Administration of Kosovo for the fiscal years 2012, 2013 and 2014. The Tax Administration of Kosovo issued the report on March 28, 2019 and as a result of the audit the company has come up with additional tax liabilities in the amount of 5,454 thousand EUR for the years 2012-2015. Management after new estimates has determined that the additional amount of EUR 5,454 thousand is required to be included in the liabilities and the same is included in the initial balance sheet of 2017. (Note 15 & 24).

5. AMANDAMENTS IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. However, the Company has elected to restate comparatives in respect of the classification and measurement of financial instruments. Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting. Details of these new requirements as well as their impact on the Company's consolidated financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognized as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognized as at 1 January 2018 have been restated where appropriate.

5. AMANDAMENTS IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's consolidated financial statements are described below.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company has adopted the terminology used in IFRS 15 to describe such balances. The term deferred income is used in respect of the government grant balances that are disclosed in note 59 and are not within the scope of IFRS 15.

The Company's accounting policies for its revenue streams are disclosed in detail in note 2.16 above.

Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had an impact on the financial position and/or financial performance of the Company.

IAS 40 (amendments) Transfers of Investment Property

The Company has adopted the amendments to IAS 40 Investment Property for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

Annual Improvements to IFRS Standards 2014 - 2016 Cycle

Amendments to IAS 28 Investments in Associates and Joint Ventures

The Company has adopted the amendments to IAS 28 included in the Annual Improvements to IFRS Standards 2014-2016 Cycle for the first time in the current year. The amendments clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition.

In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

5. AMANDAMENTS IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)**IFRIC 22 Foreign Currency Transactions and Advance Consideration**

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective [and [in some cases] had not yet been adopted by the EU]:

IFRS 16	Leases
IFRS 17	Insurance Contracts
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRS Standards 2015-2017 Cycle	Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
Amendments to IAS 19 Employee Benefits	Plan Amendment, Curtailment or Settlement
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRIC 23	Uncertainty over Income Tax Treatments

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

Annual Improvements to IFRS Standards 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

The Annual Improvements include amendments to four Standards.

IAS 12 Income Taxes

The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

5. AMANDAMENTS IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IFRS 3 Business Combinations

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including reevaluation of its previously held interest (PHI) in the joint operation at fair value. The PHI to be reevaluation includes any unrecognized assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's consolidated financial statements.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's consolidated financial statements.

KOSOVO ENERGY CORPORATION J.S.C.

Notes to the financial statements for the year ended December 31, 2018

6. PROPERTY, PLANT AND EQUIPMENT

	Land and forest (in EUR 000)	Land in mines (in EUR 000)	Buildings (in EUR 000)	Equipment (in EUR 000)	Construction in progress (in EUR 000)	Total (in EUR 000)
Cost/Deemed costs:						
As at January 1 2017 (restated)	11,489	39,898	39,796	568,176	2,982	662,341
Additions			540	8,996	4,134	13,670
Written off			(1,180)	(610)	-	(1,790)
Internal transfers		864	31	2,196	(3,133)	(42)
As at December 31 2017 (restated)	11,489	40,762	39,187	578,758	3,983	674,179
As at January 1 2018	11,489	40,762	39,187	578,758	3,983	674,179
Additions		97	3,990	37,458	26,499	68,044
Written off			(86)	(714)	-	(800)
Internal transfers		18,860	150	3,157	(22,167)	-
As at December 31	11,489	59,719	43,241	618,659	8,315	741,423

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and forest (in EUR 000)	Land in mines (in EUR 000)	Buildings (in EUR 000)	Equipment (in EUR 000)	Construction in progress (in EUR 000)	Total (in EUR 000)
Accumulated depreciation:						
As at January 1 2017 (restated)	-	16,152	20,666	319,802	-	356,620
Charge for the year	-	3,043	1,231	30,824		35,098
Removed on written off assets	-	-	(1,101)	(584)		(1,685)
As at December 31 2017 (restated)		19,195	20,796	350,042		390,033
As at January 1 2018		19,195	20,796	350,042		390,033
Charge for the year	-	5,514	1,250	32,172		38,936
Removed on written off assets	-	-	(85)	(625)		(710)
As at December 31 2018	-	24,709	21,961	381,589	-	428,259
Net book value:						
As at December 31 2017 (restated)	11,489	21,567	18,391	228,716	3,983	284,146
As at December 31 2018	11,489	35,010	21,280	237,070	8,315	313,164

As at December 31, 2018 and 2017, the Company's equipment and mining assets are collateralized against borrowings from loan from Ministry of Finance (see Note 12).

Included in the 'land', 'buildings' and 'equipment' are certain properties, which are under the control of the Company but for which the Company does not possess the appropriate ownership documentation. The Company is in process of resolving matter and to complete the documentation with the assistance of Government of Kosovo.

KOSOVO ENERGY CORPORATION J.S.C.
Notes to the financial statements for the year ended December 31, 2018

7 INTANGIBLE ASSETS

Intangible assets in the statement of financial position are analyzed as follows:

	Software (in EUR 000)
Cost/deemed cost:	
Balance as at January 1 2017 (restated)	250
Additions during the year	-
Transfers	(5)
Write offs	245
Balance as at December 31 2017 (restated)	245
Additions during the year	18
Transfers	-
Write offs	-
Balance as at December 31 2018	263
Accumulated amortization:	
Balance as at January 1 2017 (restated)	206
Amortization for the year	27
Write offs	(5)
Balance as at December 31 2017 (restated)	228
Amortization for the year	19
Write offs	-
Balance as at December 31 2018	247
Net book value as at December 31 2017 (restated)	17
Net book value as at December 31 2018	16

KOSOVO ENERGY CORPORATION J.S.C.
Notes to the financial statements for the year ended December 31, 2018
8. INVENTORIES

Inventories in the statement of financial position are analyzed as follows:

	As at December 31 2018 (in 000 Euro)	As at December 31 2017 (in 000 Euro) (restated)
Materials and consumables	27,643	29,064
Lignite	5,286	4,351
Fuel	1,845	2,365
Spare parts	14,883	12,787
Others	10,387	10,996
	60,044	59,563
Provision for obsolete inventories	(40,848)	(39,066)
Total	19,196	20,497

Movements in inventory provision account are presented as follows

	As at December 31 2018 (in 000 Euro)	As at December 31 2017 (in 000 Euro) (restated)
Balance at 1 January	(39,066)	(38,423)
Release/(Charge) for the period	(1,782)	(643)
Balance at December 31	(40,848)	(39,066)

9. TRADE AND OTHER RECEIVABLES

Trade receivables in the statement of financial position are analyzed as follows:

	As at December 31 2018 (in 000 Euro)	As at December 31 2017 (in 000 Euro) (restated)
Trade receivables:		
Local customers	48,162	40,331
Foreign customers	3,749	3,745
	51,911	44,076
Provision for bad debts	(31,648)	(32,289)
	20,263	11,787
Other receivables:		
Advances to suppliers	4,384	9,043
Other receivables	1,533	2,241
	5,917	11,284
Provision for other receivables and advances	(217)	(217)
Total other receivables	5,700	11,067
Total	25,963	22,854

KOSOVO ENERGY CORPORATION J.S.C.
Notes to the financial statements for the year ended December 31, 2018

9.1 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in Provision for bad debts and other receivables are shown as follows:

	As at December 31 2018 (in 000 Euro)	As at December 31 2017 (in 000 Euro) (restated)
Balance at 1 January	(32,506)	(33,087)
Reclassified from provisions		-
Collected during the period	641	581
Charge for the Period		-
Balance at 1 January	(31,865)	(32,506)

Provisions are created for the following bad debts:

	As at December 31 2018 (in 000 Euro)	As at December 31 2017 (in 000 Euro) (restated)
Keds JSC	21,177	21,177
Trepca	4,383	5,024
Ferronikel	748	748
Provision for EPS - Serbia and KESH - Albania		3,743
Exports	3,743	
Costumers	1,814	1,814
Balance at December 31	31,865	32,506

10 CASH ON HAND AND AT BANKS

	As at December 31 2018 (in 000 Euro)	As at December 31 2017 (in 000 Euro) (restated)
Current accounts with banks	62,714	89,606
Cash on hand	1	3
Total	62,715	89,609

11 SHARE CAPITAL

As at December 31, 2018 and according to the Business Registration issued by the Kosovo Business Registration Agency under Business Reg. No. 70325399, total subscribed capital amounts to EUR 25 thousand (2017: same). It comprises of 25,000 ordinary shares at 1 (one) EUR per share. The Company's sole shareholder is Government of Kosovo

KOSOVO ENERGY CORPORATION J.S.C.**Notes to the financial statements for the year ended December 31, 2018****12. RESERVES**

Reserves, which at December 31, 2018 amount to EUR 563,142 thousand (2017: EUR 565,797 thousand) have been initially accounted for in the Company's books as difference between the registered share capital and the value of the Company's net assets as determined by independent valuation at the date of its incorporation as JSC (January 1, 2005). These reserves are removed on the disposal of the related assets. Further these reserves are not available for distribution to shareholder.

Reserves also include the deferred tax effect (release of deferred tax liability) initially created based on the revaluation of property, plant and equipment upon transition to IFRS (see Note 25).

13. BORROWINGS

The Company has received long-term and short term loans from the Government of Republic of Kosova, as follows:

	As at December 31 2018 (in 000 Euro)	As at December 31 2017 (in 000 Euro) (restated)
Non-current portion		
Interest bearing loan from Ministry of Finance	160,917	171,804
	160,917	171,804
Current portion		
Interest bearing loan from Ministry of Finance	10,887	10,876
Accrued Interest	629	433
	11,516	11,309
Total borrowings	172,433	183,113

Government loans:

On 8 April 2015, the Government of Republic of Kosova represented by the Ministry of Finance has decided to redesign the KEK loans and rearrange them in two loans. With the same agreement and the decision of the Government of Republic of Kosova dated March 24, 2015, the accrued interest up to December 31, 2014 was forgiven. Income released based on this decision amounts EUR 19,986 thousand and is recognized in the current profit and loss (see Note 19).

The first loan in amount of EUR 166,367 thousand is for Mines and the principal and interest are repayable in 18 years in 36 equal installments except for the first interest payment of EUR 1,500 thousand which is payable on 15 October 2015. The principal and interest are payable starting from 15 October 2017 and carries interest at the rate of 2.5%p.a. at maximum. The loan is secured against pledge of company's' property plant and equipment (see Note 5).

The second loan in amount of EUR 25,565 thousand is for generation and the principal and interest are repayable in 9 years in 18 equal installments starting from 15 April 2016 and carries interest at the rate of 2.5% p.a. at maximum. The loan is secured against pledge of company's' property plant and equipment (see Note 5)

KOSOVO ENERGY CORPORATION J.S.C.
Notes to the financial statements for the year ended December 31, 2018

13. BORROWINGS (CONTINUED)

Government loans (continued):

The repayment plan of the loans is as follows:

	Total (in 000 EUR)
Within 12 months	
2019	10,876
2020	10,876
2021	10,876
After 2021	10,876
	128,300
	171,804

14. DEFERRED GRANTS

The Company has received various grants from the Government of Republic of Kosova as follows:

	As at December 31, 2018 (in 000 EUR)	As at December 31, 2017 (in 000 EUR) (restated)
As at January 1,	33,120	39,037
Grants received during the year	-	-
Amortized during the year (Note 19)	(5,900)	(5,917)
Balance as at December 31,	27,220	33,120

Notes to the financial statements for the year ended December 31, 2018

The Company's provisions as shown in the statement of financial position are further analyzed as follows:

Clean-up and land reclamation provisions:

Given below is the breakdown of clean-up and land reclamation provisions.

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15. PROVISIONS (CONTINUED)

Legal provision:

As at December 31, 2018, the Company has reassessed the possible impact of court cases. The Company believes that the amount of EUR 17,913 thousand (December 31, 2017: EUR 17,596 thousand) is a best estimate for any probable outflow of cash.

Staff pension provision:

Staff provision relates to certain number of ex-employees with whom the Company had service contracts specifying the post-employment benefits owing to certain conditions. The Company recorded this provision based on the recent decision by the Constitutional Court, whereby the Court referred to the Supreme Court to revisit its previous decision in the light of constitutional rights of employees. In prior years, the Company stopped making such contracts and ultimately stopped making such payments. During 2007 based on the Supreme Court's decision in favor of the Company, the Company removed the provision from its books.

Jubilee Provisions

The company did not recognize the provisions for Jubilee payroll duties for the years 2015-2017. Following the events occurring in 2018 and 2019, whereby the company is obliged to pay in some cases the obligation for Jubilee salary, the Company's Management has revalued the provisions for the Jubilee salary and it was concluded that an additional provision of EUR 2,002,000 should be recognized in company financial statements. (Note.14) The obligation in the amount of EUR 2,002 thousand was created in the years 2015-2017 as follows:

- Provisions for 2015; EUR 642 thousand
- Provisions for 2016; EUR 654 thousand
- Provisions for 2017; EUR 705 thousand

Prepayment of tax on profit

During 2017 the Company wrote off part of prepayment of profit tax in amount EUR 1,925 thousand, closing the prepayment is due to exceeding the legal limit for reimbursement and considering that the matter is in court proceedings.

KOSOVO ENERGY CORPORATION J.S.C.**Notes to the financial statements for the year ended December 31, 2018****16. TRADE AND OTHER PAYABLES**

Trade payables are non-interest bearing liabilities with domestic and foreign suppliers and are normally settled on a period ranging from 30 days to 180 days.

	As at December 31, 2018 (in 000 EUR)	As at December 31, 2017 (in 000 EUR)
Trade Creditors		
Creditor		
Local suppliers	7,684	6,168
Foreign suppliers	6,229	5,041
	13,913	11,209
Other current payables		
Salaries to employees	3,330	3,319
Customers advances	40	121
Corporate tax payable for the year	3,686	5,692
Other payables	202	210
	7,258	9,342
	21,171	20,551

During 2018-2019, the company was audited by the Tax Administration of Kosovo for the fiscal years 2012, 2013 and 2014. The Tax Administration of Kosovo issued the report on 20 March 2019 and as the audit surplus the company has come up with additional tax liabilities in the amount of 5,454 thousand EUR for the years 2012-2014. Management after new estimates has determined that the additional amount of EUR 5,454 thousand is required to be included in the liabilities and the same is included in the initial balance sheet of 2017. (Note 4)

17. ACCRUED EXPENSES

Current expenses presented in the statement of financial position are analyzed in detail as follows:

	As at December 31, 2018 (in 000 EUR)	As at December 31, 2017 (in 000 EUR)
Lignite royalty fee	5,785	5,156
Other accrued expenses	165	254
	5,950	5,410

Lignite royalty fee represents royalties paid in connection with the mining activities of the Company for extraction of lignite used in the power plants. The royalty tax is Euro 3\ton in 2018 (2017: EUR 3\ton). Total royalty fee charged in current profit and loss for the year ended December 31, 2018 amounts to EUR 21,518 thousand (2017: EUR 22,734 thousand).

KOSOVO ENERGY CORPORATION J.S.C.**Notes to the financial statements for the year ended December 31, 2018****18. REVENUES FROM ELECTRICITY SALES**

The Company's sales consist of the following:

	Year ended December 31, 2018 (in 000 EUR)	Year ended December 31, 2017 (in 000 EUR) (restated)
Sale of electricity		
Revenues from the sale of electricity	130,189	129,428
Revenues from non balances	630	728
Export of electricity	22,905	27,233
	153,724	157,389
Other sales		
Sales of coal	1,421	2,228
Other	1,036	847
	2,457	3,075
	156,181	160,464

Domestic and industrial customers in 2018 and 2017 represent energy sold to KEDS after the unbundling of the distribution and supply division on May 8, 2013. The sales of electricity represent actual billed energy to the clients.

19. INCOME FROM GRANTS

Revenues from grants are presented in the Comprehensive Income Statement and are analyzed as follows:

	Year ended December 31, 2018 (in 000 EUR)	Year ended December 31, 2017 (in 000 EUR)
Amortization of deferred grants related to long-term tangible assets	5,900	5,917
	5,900	5,917

KOSOVO ENERGY CORPORATION J.S.C.**Notes to the financial statements for the year ended December 31, 2018****20. OTHER INCOME**

The other revenues are presented in the Comprehensive Income Statement and are analyzed as follows:

	Year ended December 31, 2018 (in 000 EUR)	Year ended December 31, 2017 (in 000 EUR) (restated)
Collection of client receivables from KEDS	1,326	3,950
Income from rent	23	29
Revenues from the collection of bad debts	612	581
Other income	1,106	1,276
	3,067	5,836

21. STAFF COSTS

Personnel expenses are presented in the Comprehensive Income Statement and are analyzed as follows:

	Year ended December 31, 2018 (in 000 EUR)	Year ended December 31, 2017 (in 000 EUR) (restated)
Salaries, net	41,550	39,039
Pension contributions and taxes	8,052	7,481
Other	1,599	1,722
	51,201	48,242

22. ELECTRICITY AND OTHER UTILITIES

	Year ended December 31, 2018 (in 000 EUR)	Year ended December 31, 2017 (in 000 EUR) (restated)
Fuel	5,698	7,351
Transmission of electricity	8,567	9,101
Gas and water	639	780
Exchange of electricity	325	2,550
Electricity purchases	13	15
	15,242	19,797

KOSOVO ENERGY CORPORATION J.S.C.
Notes to the financial statements for the year ended December 31, 2018

23. OTHER OPERATING EXPENSES

	Year ended December 31, 2018 (in 000 EUR)	Year ended December 31, 2017 (in 000 EUR) (restated)
Insurance expenses	1,985	2,077
Non-production expenses	891	878
Licenses	1,173	1,156
Transport services	95	72
Loss from write off property, plant and equipment (Note 5)	100	104
Other	2,389	5,994
	6,633	10,281

24. FINANCIAL INCOME/EXPENSES NET

	Year ended December 31, 2018 (in 000 EUR)	Year ended December 31, 2017 (in 000 EUR) (restated)
Interest income		
Interest (expense) on borrowings and delayed payments	(2,266)	(2,882)
Financial income/(charges), net	(2,266)	(2,882)

25. TAXATION

	Year ended December 31, 2018 (in 000 EUR)	Year ended December 31, 2017 (in 000 EUR) (restated)
Profit before taxation	19,855	23,826
<i>Adjustments for tax purposes:</i>		
<i>Expenditures / (Revenues)</i>	2,576	1,804
Depreciation	(43)	2,909
<i>Less capitalized expenses</i>		
Other expenses		137
Loss from damaged assets		
Profit before the use of (losses) tax	22,388	28,676
(Losses) carried forward		
Taxable Profit	22,388	28,676
Income tax for the year / (carried forward losses)	2,239	2,868

25. TAXATION (CONTINUED)

According to the Corporate Income Law no.05/L -029 entered into force commencing on 1 September 2015, the Company is required to pay income tax at a rate of 10% on the taxable profit, as calculated in the annual Income Tax Return Statement. In accordance with new Law, tax losses may be carried forward to be set off during the next six years following the year in which the tax loss was incurred.

During 2018-2019, the company was audited by the Tax Administration of Kosovo for the fiscal years 2012, 2013 and 2014. The Tax Administration of Kosovo issued the report on 20 March 2019 and as the audit surplus the company has come up with additional tax liabilities in the amount of 5,454 thousand EUR for the years 2012-2015. Management after new estimates has determined that the additional amount of EUR 5,454 thousand is required to be included in the liabilities and the same is included in the initial balance sheet of 2017. (Note 4)

The Financial Statements of 2015, 2016, 2017 and 2018 may be subject to inspection by future tax authorities. Company management has used its best judgment and judgment to comply with tax laws, including the use of the results of previous tax inspections. Due to the use of the trial to comply with the requirements of certain tax laws and depending on the assessment of the tax authorities, the income tax for the year ended December 31, 2018 may differ considerably compared to that of tax authorities reported in the financial statements.

26. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax liability is calculated as follows:

	As at December 31, 2018 (in 000 EUR)	As at December 31, 2017 (in 000 EUR) (restated)
Accounting carrying amount	301,675	270,473
Tax carrying amount	(157,634)	(152,986)
Taxable temporary difference	144,041	117,487
Deferred tax liability at 10%	14,404	11,749

Total deferred tax liability released through other comprehensive income for the year ended December 31, 2018 amounts EUR (2,665) thousand (2017: EUR 25 thousand)

27. COMMITMENTS AND CONTINGENCIES

Commitments:

As at December 31, 2018, the Company has capital commitments of EUR 22,227 thousand (2017: EUR 21,714 thousand). The Company has no operational lease commitments as at year end.

Litigations:

As of the date of these financial statements the Company is involved in 764 lawsuits (2017: 516 cases). Other than provision recognized in these financial statements, the Company believes that there will be no additional provision required against the cases pending in court. Movement in provision for legal cases is as follows:

	Amount of Provision ('000)	Number of Cases
December 31, 2017	17,596	516
New claims for the period	317	148
Claims closed during the period		
December 31, 2018	17,913	664

Tax Litigations

The Company's financial statements for the years ended December 31, 2015 to 2018 are subject to inspection by local tax authorities.

The Company's management used its best estimate and judgment to comply with the tax laws including the use of results of previous tax inspections. Owing to use of judgment in complying with certain requirements of tax laws and depending on the tax authorities' assessment, tax expenses, liabilities and prepayments as at December 31, 2018 and 2017 may differ significantly compared to the one reported in these financial statements.

Bank guarantees:

As at December 31, 2018, outstanding guarantees issued in favor of the Company were amounting to EUR 12,217 thousand (as at December 31, 2017: EUR 11,027 thousand).

Decommissioning and clean-up costs:

The Government of Kosovo is committed to decommission TPP 'Kosova A', due to its age and environmental pollution, but also for the fact that Kosovo is a party to the ENCT and must comply with European Directive 2001/80/EC, on the limitation of emissions of certain pollutants into the air from large combustion plants.

Based on the Energy Strategy of the Republic of Kosovo for the period 2009-2018 is foreseen that the Power generation from TPP Kosova A, operating with A3, A4 and A5 units and in line with the European Directive for Large Combustion Plants, the units of TPP Kosova A could be operated until the end of 2017. In relation to this activity, the Government of the Republic of Kosovo issued its Decision No. 22/109, which establishes three working groups for the preparation for decommissioning of TPP Kosova A and other facilities at its location

27. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Bank guarantees (continued)

Whereas based on the Draft Energy Strategy of the republic of Kosovo for the period 2013-2022 is foreseen that time of decommissioning of TPP Kosova A, is closely linked with the entry into operation of TPP Kosova e Re, in order not to create a shortage of electricity in local capacities. It should also be noted that the dismantling of all units of TPP Kosova A will start immediately after the decommissioning of its active units.

In addition to recognized environment provisions disclosed in Note 14, the Company acknowledges that there are a number of environmental concerns and liabilities arising from the Operations of the Company that require significant cost to rectify. Based on a decommissioning study dated March 15th 2010, such costs are estimated as follows:

	(in million EUR)
Demolition, cleaning and revitalization of the area with a number of supporting facilities serving for five units of Kosova A	28.4
Social issues; which include retraining of workers, socialization, early retirement and other forms of rehabilitations of workers.	5
Decommissioning of Gasification and Nitrogen	17.5
“Kosova Thëngjilli” (Kosova Coal), decommissioning and rehabilitation of the environment in the area of TC Kosova A	5
Total estimated	55.9

These costs may not be the ultimate outcome of the cost of settling these obligations and further studies are required and are planned to ascertain the potential liabilities.

The Company however has no current legal liability to settle these obligations as such obligations are not clearly foreseen by the legislation in force. Consequently, it has not recognized a provision in its financial statements.

As of the reporting date there are no new decisions or information available to us which would indicate different approach to the TPP Kosova A units.

At the reporting date, there are no available decisions or information that would show different approaches to Kosovo A units.

These costs may not be the final outcome of the cost to regulate these obligations, and other studies are also needed and are planned to ascertain the possible obligations.

However, the Company currently has no legal obligation to carry out these obligations, as these liabilities are not clearly foreseen by the applicable legislation. Consequently, no provisions have been recognized in the financial statements.

At the reporting date, there are no available decisions or information that would show different approaches to Kosovo A units.

KOSOVO ENERGY CORPORATION J.S.C.
Notes to the financial statements for the year ended December 31, 2018
28. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amount of financial assets and financial liabilities for each category are as follows:

	As at December 31, 2018 (in 000 EUR)	As at December 31, 2017 (in 000 EUR) (restated)
Financial assets		
<i>Loans and receivables (amortized cost)</i>		
Trade and other receivables (Note 8)	25,963	22,854
Cash and cash equivalents (Note 9)	62,715	89,609
	88,678	112,463
Financial liabilities		
<i>Other liabilities (amortized cost)</i>		
Trade and other payables	21,171	20,551
Borrowings	172,433	183,113
	193,604	203,664

29. FINANCIAL RISK MANAGEMENT
A: - Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to shareholder through the optimization of the debt and equity balance.

The capital structure of the company consists of borrowings and the equity attributable to equity holder, comprising capital, reserves and retained losses.

Gearing ratio

Management reviews the capital structure on continuously basis. As part of this review, management considers the cost of capital and the risk associated with each class of capital. The gearing ratio at the year-end was as follow:

	As at December 31, 2018 (in 000 EUR)	As at December 31, 2017 (in 000 EUR) (restated)
Debt	172,433	183,113
Equity	129,331	114,370
Debt to equity ratio	133%	160%

29. FINANCIAL RISK MANAGEMENT (CONTINUED)**B: - Credit risk**

The Company is subject to credit risk through its selling activities. In this respect, the credit risk for the Company stems from the possibility that different counterparties might default on their contractual obligations. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of financial position. Trade receivables are therefore monitored on monthly basis and customers warned promptly.

The Company analyzes its receivables based on their origin and nature and not based on their age. Subsequent to the transfer of the Distribution and Supply operations, KEK has significantly reduced its exposure of credit risk.

At December 31 the Company has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired the amounts at December 31, analyzed by the length of time past due, are:

	As at December 31, 2018	As at December 31, 2017
Past due not impaired receivables	(in 000 EUR)	(in 000 EUR) (restated)
Not more than 3 months	3,446	953
3 - 6 months	2,556	221
6 - 12 months	143	142
More than 1 year	6	4
	6,151	1,320

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

C: - Market risk

The Company's activities expose it primarily to the financial risk of changes in interest rates, as below in 27(e) and commodity risk in 27(d). The market risk is not concentrated to currency risk, as majority of the transactions of the Company are in local currency.

D: - Commodity risk

Commodity Risk refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. The Company imports electricity to cover the deficit in the energy balance of Kosovo, thereby exposing the Company to commodity risk.

However, starting from May 2013, KEK is no longer importing energy. Hence, its exposure to commodity risk is limited to export of energy that is not significant for the Company's operations currently.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

E:-Interest rate risk

Interest rate risk is comprised of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest bearing assets differ from the maturities of the interest bearing liabilities used to fund those assets (re-pricing risk). The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

Management believes that other than borrowings the Company is not exposed to interest rate risk on its financial instruments. As at December 31, 2018 and 2017, all borrowings are obtained from the Government of Kosovo, who is the 100% shareholder of the Company, with variable interest rates. Given below is the analysis of both financial assets and financial liabilities.

	As at December 31, 2018 (in EUR '000)	As at December 31, 2017 (in 000 EUR) (restated)
Assets		
<i>Non - interest bearing</i>		
Trade and other receivables	25,963	22,854
Cash and cash equivalents	1	3
	25,964	22,857
<i>Fixed rate interest</i>		
Cash and cash equivalents	62,714	89,606
Liabilities		
<i>Non - interest bearing</i>		
Trade and other payables	21,171	20,551
<i>Variable rate interest</i>		
Borrowings	172,433	183,113
	256,318	293,270

The Company's financial liabilities are with variable interest rate which at maximum can rise up to 2.5% p.a.

The following table illustrates the sensitivity of profit and equity to a reasonably possible Change in interest rates of +/- 2.5% (2017: +/- 2.5%).

	Profit for the year		Equity	
	+ 2.5%	- 2.5%	+ 2.5%	- 2.5%
December 31, 2018	4,295	4,567		
December 31, 2017	4,295	4,567	-	-

KOSOVO ENERGY CORPORATION J.S.C.
Notes to the financial statements for the year ended December 31, 2018
29. FINANCIAL RISK MANAGEMENT (CONTINUED)
F:-Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of statement of financial position liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer. As at December 31, 2018 and 2017, the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

As at December 31, 2018						
	Within 1 Month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years	Total
	(in 000 EUR)					
Trade and other payables	13,761	6,351	1,059			21,171
Provisions			1,019	21,410	28,547	50,976
Borrowings (Note 12)			11,516	54,380	106,537	172,433
Accrued expenses	5,950	-	-	-	-	5,950
Total liabilities	19,711	6,351	13,594	75,790	135,084	250,530
As at December 31, 2017(Restated)						
	Within 1 Month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years	Total
	(in 000 Euro)					
Trade and other payables	5,427	9,670	5,454			20,551
Provisions			3,509	15,271	31,948	50,728
Borrowings (Note 12)		433	10,876	54,380	117,424	183,113
Accrued expenses	5,410					5,410
Total liabilities	10,837	10,103	19,839	69,651	149,372	259,802

29. FINANCIAL RISK MANAGEMENT (CONTINUED)**G: - Fair value of financial instruments**

The fair values of current assets and current liabilities approximate their carrying values due to their short-term nature. The fair value of borrowings as well approximates the fair value because although they are variable interest bearings loans the lender has punctually waived all interests from the company.

In 000 EUR	Carrying amounts		Fair values	
Financial assets	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
		(restated)		(restated)
Trade and other receivables	25,963	22,854	25,963	22,854
Cash and Banks	62,715	89,609	62,715	89,609
Total	88,678	112,463	88,678	112,463

In 000 EUR	Carrying amounts		Fair values	
Financial Liabilities	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
		(restated)		(restated)
Trade and other accounts payable	21,171	20,551	21,171	20,551
Borrowings	172,433	183,113	172,433	183,113
Total	193,604	203,664	193,604	203,664

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale

KOSOVO ENERGY CORPORATION J.S.C.
Notes to the financial statements for the year ended December 31, 2018
30. PRODUCTION AND LOSSES OF ELECTRICITY

The Company has two power plants; Kosova A and Kosova B for electricity production purposes. These plants have total operating capacity of 860 MW, and operated at 82.08% of the plants' capacity during 2018 (2017: 83.94%). The production of energy in both plants for 2018 was 5,007,720 MWh (2017: 5,121,065 MWh).

	As at December 31, 2018	As at December 31, 2017
	(in MW/h)	(in MW/h)
Kosova A		
Unit A3	824,177	458,139
Unit A4	712,747	824,240
Unit A5	703,724	801,622
	2,240,648	2,084,001
Kosova B		
Unit B1	1,074,986	1,857,690
Unit B2	2,284,914	1,784,271
	3,359,899	3,641,961
Total	5,600,547	5,725,962
Internal Consumption	(468,140)	(469,988)
Internal Consumption - Cost	(124,688)	(134,909)
	(592,828)	(604,897)
Net energy produced	5,007,720	5,121,065

The production of lignite in 2018 was 7,169,767 ton (2017: 7,574,697 ton).

Electricity losses:

After the unbundling of the distribution and supply divisions, KEK is no longer exposed to energy losses in the network.

31. RELATED PARTY TRANSACTIONS

In the ordinary course of business, KEK entered into transactions during the financial reporting periods with customers who are Government entities and individuals who are associated with or work for Government entities. The Company has also a related party relationship with its directors and executive officers. The monetary transactions with related parties are disclosed below:

Account	Description of transaction	As at December 31, 2018	As at December 31, 2017
Borrowings	Ministry of Finance	171,804	183,113
Interest expense	Ministry of Finance	1,637	2,232
Compensation (salaries)	Executive and non-executive officers	137	143

32. SUBSEQUENT EVENTS

After December 31, 2018 the reporting date until the approval of these financial statements, there are no adjusting events reflected in the financial statements or events that are materially significant for disclosure in these financial statements.