KORPORATA ENERGJETIKE E KOSOVËS SH.A.
KOSOVO ENERGY CORPORATION J.S.C.
ENERGETSTKA KORPORACIJA KOSOVA D.D.

Kosovo Energy Corporation J.S.C.

Financial Statements and Auditor's Report for the year ended December 31, 2022

CONTENTS **PAGE**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the Company's financial statements **Kosovo Energy Corporation J.S.C.**, which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, as well as the 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 31 December 2022, its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinionin

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 Financial Statements section of the report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to the audit of financial statements in the Republic of Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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

Without qualifying our opinion, we draw attention to the following:

I. As disclosed in note 14 of the accompanying financial statements, the Company's activities create the need to recognize future expected costs related to environmental damage and decommissioning of its long-term assets. As at 31 December 2022, the balance of the provision related to these environmental costs amount EUR 39,663 thousand (2021: EUR 38,995 thousand). In addition, the Company has disclosed in note 26. F, the estimated decommissioning costs which are not recognized as liabilities in the financial statements of the Company since it is not responsible under current legislation to decommission its assets. The final amount of these provisions depends on periodic environmental impact assessments and future changes in legislation regarding decommissioning obligations. Actual amounts may differ materially from these estimates.

II. As disclosed in note 4 of the accompanying financial statements, included in the properties and buildings are certain assets, which are under the control of the Company, but for which the Company does not possess the relevant ownership documentation. The company is in the process of obtaining ownership documentation, but the duration and outcome of the process cannot be determined with reasonable accuracy at this stage.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were most significant in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Determining the rate of depreciation of property, plant and equipment

Property, plant and equipment as at 31 December 2022 reach a net value EUR 232,734 thousand which constitutes 40% of the total assets. Accumulated depreciation reached EUR 617,625 thousand.

We have identified the determination of the useful lives of property, plant and equipment as a key audit matter because require judgment to be made by the management in determining the useful lives of assets considering the nature, timing and likelihood of change of technical factors that may affect the useful life of the assets and therefore may have a material impact on the depreciation expense for the year.

We refer to financial statement notes 2.6 and 4 Property, plant and equipment.</td><td>The property, plant and equipment audit was a combination of the audit of controls and substantive audit procedures. Our audit response is as follows:
- We obtained an understanding of judgment of the management regarding estimates for determining the rate of depreciation of property, plant and equipment and tested key controls.

- On the basis of a sample, we have selected and compared the useful life of the asset in the current year with the previous year to determine whether there has been any significant change in the useful life of the asset and have considered the reasonableness of the changes based on our knowledge of business and industry.

- Regarding asset additions, we tested whether the additions (acquisitions) were classified in the correct category, the start of depreciation occurred at the appropriate time and the economic life determined was in accordance with the economic life used by the company and presented in accounting policies.

- We have challenged the assumptions and critical judgments used by management by comparing management's past estimates and plans with the current year's estimates and plans and taking into account the development of energy sector in the country.

- We have assessed the adequacy of the Company's disclosures regarding property, plant and equipment.</td></tr>
</table>

Key audit matter	How our audit addressed the matter
Provisions for litigation and contingent liabilities The company is involved in a large number of legal proceedings. The outcome of these proceedings and litigation depends on future events. Management judgment is involved in evaluating litigation (lawsuits) and considering the likelihood of a lawsuit being successful, so we identified it as an audit focus area. The risk related to legal disputes is mainly associated with the completeness of the disclosures and the completeness of the provisions in the financial statements. We refer to note no. 14 in the financial statements Provisions for litigation and note 25 B Contingent Liabilities.	As part of our audit procedures, we have evaluated processes of the management to identify potential new obligations and changes in existing obligations to comply with the Company's policies and the requirements of IAS 37. - On a sample basis we have analyzed the changes from previous periods and obtained a detailed understanding of these items and assumptions applied. - As part of our audit procedures, we have reviewed the records of board meetings, including sub-committees. - We have received from the legal department the list of pending court cases and reconciled it with the accounting records. - We have talked with the management about the appropriateness of the provisions. - We performed additional testing procedures on a sample of court cases registered at the end of the year by reviewing the payments after the end of the year and assessing their appropriateness. We have assessed the appropriateness of the disclosure related to provisions and contingent liabilities.
Valuation of trade receivables Trade receivables are recognized at their estimated realizable value, which is the original invoiced amount less the estimated impairment provision. The valuation of trade receivables is a key audit matter because of the amount of the trade receivable balance and the high degree of management judgment used in determining impairment provisions. We refer to note 7 to the financial statements Trade and other receivables and note 27B.	Our audit procedures are presented as follows: - We assessed the Company's credit control procedures and assessed and verified the aging of trade accounts receivable. - We estimated the recoverability on the basis of a sample referring to the receipts received after the end of the year and the agreement with the terms of the contract in force. - We have received confirmations from third parties based on the sample and reconciled the differences. - We have considered the appropriateness of judgments regarding impairment allowances for trade receivables and have assessed their appropriateness. We have considered the completeness and accuracy of the disclosures.

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Other matters

Financial statements of the Company Korporata Energjitike e Kosova sh.a. for the year ended December 31, 2021 were audited by another auditor, who provided an unmodified opinion on these statements on April 29, 2022.

Other information

Management is responsible for other information. Other information includes the management report and the corporate governance statement but does not include the financial statements and our audit report.
Our opinion on the financial statements does not include other information and, except to the extent expressly stated in our report, we do not express any conclusion thereon.
Related to our audit of the financial statements, our responsibility is to read the other information, and consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or whether it is materially misstated. Regarding the management report and the corporate governance statement, we have taken into account whether it includes the disclosures required by Article 7 of Law no. 06 / L - 032 for Accounting, Financial Reporting and Auditing.

Based only on the work required to be done during the audit of the financial statements and the above procedures, in our opinion:

a) the information disclosed in the management report for the financial year for which the financial statements were prepared, is consistent, in all material aspects, with the information in the financial statements and is prepared in accordance with the requirements of Article 7 of Law no. 06/ L- 032 for Accounting, Financial Reporting and Auditing, and

b) the corporate governance statement was prepared in accordance with Article 7 of Law no. 06/ L-032 for Accounting, Financial Reporting and Auditing and is consistent with the information in the financial statements.

Additionally, based on our knowledge and understanding of the entity and the environment in which it operates, obtained during the audit, we are required to report whether we have identified any material misstatements of fact in other information. We have nothing to report in this regard.

Responsibility of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with International Financial Reporting Standards and for those internal controls that management deems necessary to enable the preparation of financial statements that do not contain material anomalies, either for due to fraud or error.

In preparing the financial statements, management is responsible for evaluating the Company's ability to continue as a going concern, disclosing, when applicable, going concern issues and the use of going concern accounting unless management intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The persons in charge of governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the Auditor for the Audit of 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 audit report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit performed in accordance with ISAs will always identify a material misstatement when it exists. Misstatements may result from error or fraud and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users based on these financial statements.

As part of the audit in accordance with the ASAs, we exercise our professional judgment and skepticism throughout the audit period. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in response to these risks, and provide sufficient and appropriate audit evidence to provide a basis for our opinion. . The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or violations of internal controls.
- Obtain an understanding of internal control appropriate for the audit for the purpose of designing 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 controls.
- Drawing a conclusion regarding the appropriateness of using the going concern basis of accounting by management, based on the audit evidence provided, if there is a material uncertainty regarding events or conditions that may cast significant doubt on the going concern principle of the Company. If we conclude that a material uncertainty exists, we must draw attention in our auditor's report to the relevant disclosures in the financial statements or, if those disclosures are inappropriate, modify our opinion. Our audit conclusions are based on the audit evidence provided up to the date of our audit report. However, future events or conditions may cause the Company to cease operations.
- Evaluate the overall presentation, structure and content of the financial statements, including the explanatory information provided, and whether the financial statements present the transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance of the Company, among other matters, the scope and planned timing of the audit, the main findings of the audit, including any relevant deficiencies in internal control identified during our audit.

We also declare to those charged with governance that we comply with relevant ethical requirements relating to independence and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Report on other legal and regulatory requirements

We were selected through an open tender process and appointed on 13 December 2022 as auditors of the Company for a period of one year. This is our first year as auditors of the Company.

We confirm that:

- We have not provided prohibited non-auditing services specified in Article 5 (1) of administrative instruction no. 02/2019 and we were independent from the Company in conducting the audit.

27 April 2023

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Teit Gjini
Statuory Auditor

KOSOVO ENERGY CORPORATION J.S.C.
Statement of Financial Position
For the year ended December 31, 2022

	Notes	As at December 31, 2022 (in EUR '000)	As at December 31, 2021 (in EUR '000)	Restated January 1 2021 (in EUR '000)
ASSETS				
Non-current assets				
Property, plant and equipment	4	232,734	270,902	296,365
Long term depostis	9	96,900	-	-
Intangible assets	5	618	848	221
Total non-current assets		**330,252**	**271,750**	**296,586**
Current Assets				
Inventories	6	20,831	20,289	19,841
Trade and other receivables, net	7	77,954	54,677	40,850
Cash on hand and at banks	8	97,127	112,517	67,928
Short term deposits	9	48,500	-	-
Deferred receivables- generation of energy		2,313	-	-
Total current assets		**246,725**	**187,483**	**128,619**
TOTAL ASSESTS		**576,977**	**459,233**	**425,205**
EQUITY AND LIABILITIES				
Shareholder's equity				
Share capital	10	25	25	25
Reserves	11	198,472	197,848	197,467
Accumulated earnings/ (Losses)		114,208	9,091	(20,086)
Total Shareholder's equity		**312,705**	**206,964**	**177,406**
Liabilities				
Non-current liabilities				
Borrowings – noncurrent portion	12	115,380	126,767	138,154
Deferred grants	13	8,211	10,820	16,156
Provisions	14	56,193	55,677	48,561
Deferred tax liability	25	9,648	10,770	10,820
		189,432	**204,034**	**213,691**
Current Liabilities				
Borrowings – current portion	12	12,026	12,015	12,051
Trade and other payables	15	21,455	7,522	13,799
Income Tax Payable		7,759	4,569	613
Deferred grants – Import of Energy	13.1	27,012	16,648	-
Accrued expenses	16	6,587	7,481	7,645
Total Current liabilities		**74,840**	**48,235**	**34,108**
Total liabilities		**264,272**	**252,269**	**247,799**
TOTAL EQUITY AND LIABILITIES		**576,977**	**459,233**	**425,205**

These financial statements have been approved for issue by the Bord of Directors and signed on its behalf by the Management on April 27 2023:

Mr. Përparim Kabashi
Acting Deputy of Chief Executive Officer

Mr. Gramos Hashani
Chief Financial Officer

Financial statements should read with accompanying notes pages 11 to 50 as they are an integral part of these financial statements.

KOSOVO ENERGY CORPORATION J.S.C.
Statement of Comprehensive Income
For the year ended December 31, 2022

	Notes	Year ended December 31, 2022 (in EUR '000)	Year ended December 31, 2021 (in EUR '000)
Income from energy sale	**17**	283,517	216,607
Income from grants	**18**	22,245	8,688
Other income	**19**	2,199	1,352
		307,961	**226,647**
OPERATING EXPENSES			
Depreciation and amortization	**4,5**	(48,462)	(57,278)
Staff costs	**20**	(47,027)	(50,728)
Electricity and other utilities	**21**	(53,025)	(26,614)
Maintenance costs		(3,888)	(4,546)
Materials and supplies		(4,963)	(4,091)
Lignite royalty fee		(25,071)	(14,792)
Provision for write down of inventories		(216)	(1,353)
Releases/(losses) on impairment of trade and other receivables		(4,500)	(3,647)
Change in provisions	**14**	423	(6,507)
Deferred expenses- generation of energy		2,367	-
Other operating expenses	**22**	(6,551)	(6,619)
		(190,913)	**(176,175)**
Profit from operations		**117,048**	**50,472**
Financial income (expenses), net	**23**	1,694	(3,250)
Profit before taxation		**118,742**	**47,222**
Income tax expenses	**24**	(13,625)	(8,045)
Net Profit for the year		**105,117**	**39,177**
Other comprehensive income/(loss) for the year			
Items that will not be reclassified to profit and loss			
Deferred tax effect on revaluation of property, plant and equipment	**25**	624	381
Total comprehensive income for the year		**105,741**	**39,558**

Financial statements should read with accompanying notes pages 11 to 50 as they 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, 2022

	Share capital (in EUR '000)	Reserves (in EUR '000)	Accumulated profits (losses) (in EUR '000)	Total (in EUR '000)
Balance as at January 01 2021	**25**	**568,784**	**(391,403)**	**177,406**
Balance restated as at January 2021	**25**	**197,467**	**(20,086)**	**177,406**
Transactions with owners	-	-	-	-
Dividend paid	-	-	(10,000)	(10,000)
Transactions with owners	-	-	**(10,000)**	**(10,000)**
Profit for the year	-	-	39,177	39,177
Other comprehensive income	-	381	-	381
Total comprehensive income	-	**381**	**39,177**	39,558
Balance as at December 31, 2021	**25**	197,848	**9,091**	**206,964**
Balance as at January 01 2022	**25**	**197,848**	**9,091**	**206,964**
Transactions with owners	-	-	-	-
Transactions with owners	-	-	-	-
Profit for the year	-		105,117	**105,117**
Other comprehensive income	-	624		624
Total comprehensive income	-	**624**	**105,117**	**105,741**
Balance as at December 31 2022	**25**	**198,472**	**114,208**	**312,705**

Financial statements should read with accompanying notes pages 11 to 50 as they are an integral part of these financial statements.

	Note	Year ended December 31, 2022 (në EUR '000)	Year ended December 31, 2021 (në EUR '000)
Cash flows from operating activities			
Net profit before tax		118,742	47,222
Adjustments for non-cash items:			
Depreciation and amortization	4,5	48,462	57,278
Amortization of grants	18	(22,245)	(8,688)
Interest Income	23	(5,600)	(375)
Interest Expenses	23	3,906	3,625
Provision for bad debts	28.B	4,500	3,647
Provision for environmental and pension costs	14	(423)	6,507
Provision for write down/back of inventories	6	216	1,353
Direct written off of other assets			-
Property, plant and equipment written off	4,5	44	139
Operating cash flows before changes in operating assets and liabilities		**147,602**	**110,708**
Inventories		(758)	(1,801)
Trade and other receivables		(24,490)	(17,097)
Trade and other payables		13,040	(6,441)
Cash flow from operating activities		**135,394**	**85,369**
Interest Received			-
Interest Paid		(2,956)	(3,054)
Income tax paid		(10,933)	(3,758)
Net Cash flows from Operating Activities		**121,505**	**78,557**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	4,5	(10,108)	(32,581)
Increase/ Decrease in deposits		(145,400)	-
Cash (used in) investing activities		**(155,508)**	**(32,581)**
Cash flows from financing activities			
Grants received for import of energy		30,000	20,000
Dividend paid		-	(10,000)
Payment of Borrowings		(11,387)	(11,387)
Cash (used in) financing activities		**18,613**	**(1,387)**
Net change in cash and cash equivalents		**(15,390)**	**44,589**
Cash and equivalents at the beginning of the year		**112,517**	**67,928**
Cash and equivalents at the end of the year	8	**97,127**	**112,517**

Financial statements should read with accompanying notes pages 11 to 50 as they are an integral part of these financial statements.

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% 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 2021 until 4th of October 2023 (license number ERO / Li_05 / 17_A,) from the Energy Regulatory Office. Due to inability of the Company to obtain The Integrated Environmental Permit from MESP the licence for Kosovo A is renewed on a yearly basis.

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_05/17_B) from the Energy Regulatory Office (ERO).

Whereas on April 13, 2017 the License of Kosovo Energy Corporation (KEK JSC), Generation Division "TPP Kosova B", with license number ZRRE/Li_05/14_B, is modified into "Electricity and Thermal Energy Cogeneration License" with new licence number ZRRE/Libp_05/17_B issued by the Energy Regulatory Office (ERO), 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.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Basis of preparation

These financial statements have been prepared on the historical cost basis except for Property, plant and equipment purchased before 2005 which are carried at fair value, which was considered deemed cost at the year of incorporation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Going concern assumption

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

2.4 Functional Currency and Presentation

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.
The financial statements are prepared as of and for the years ended December 31 2022 and December 31 2021. Current and comparative data stated in these financial statements are expressed in thousands of Euros, unless otherwise stated. Where necessary, comparative figures have been reclassified to conform to changes in presentation for the year.

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.

2.6 Property, plant and equipment

Items of property plant and equipment as at January 1, 2005 are restated 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.

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:

	2022	2021
Land in mines	2-7 years	2-7 years
Buildings	10-50 years	10-50years
Industrial Heavy Equipment	10-50 years	8-20 years
Vehicles	10-50 years	6-7 years
Furniture, fittings and equipment	10-50 years	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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.
The Management of Company during 2021 has decided to review the policy for the depreciation of lands used for coal extraction, and in order to match the costs with the earned revenues, has decided that the useful life of mining lands is to be determined according to the company's plans for the extraction of coal.

2.7 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2.8 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.9 Impairment of non - financial assets

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

2.10 Investments in mineral resources

An entity treats exploration and evaluation assets as a separate class of assets and make the disclosures required by either IAS 16 Property, Plant and IAS 38 Intangible assets.

The Company classifies exploration and evaluation assets as tangible or intangible according to the nature of the assets acquired and applies the classification consistently.

An exploration and evaluation asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss recognised, before reclassification.

Expenditures that are recognised as exploration and evaluation assets include, but are not limited to:

- acquisition of rights to explore;
- topographical, geological, geochemical and geophysical studies;
- exploratory drilling;
- trenching;
- sampling; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Investments in mineral resources are disclosed under note 4, Property plant and equipment.

2.11 FINANCIAL INSTRUMENTS

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost.
- fair value through profit or loss (FVTPL).
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorized as FVOCI and (FVTPL).

The classification is determined by both:

- the entity's business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

In the periods presented the Company does not have any financial assets categorized as (FVTPL).

Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell
- and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

In the periods presented the Company does not have any financial assets categorized as (FVOCI).

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables based on management's estimate of the expected credit losses, considering specific factors such as the age of the balance, existence of disputes, recent historical payment patterns, and any other available information concerning the creditworthiness of counterparties. Trade and other receivables are been grouped based on the receivables past due and not due. Refer to trade and other receivable and Credit risk Note for a detailed analysis of how the impairment was accounted.

Classification and measurement of financial liabilities

The Company's financial liabilities include trade payables, borrowings and accrued expenses.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

2.13 Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, on demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 to 60 days.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on the receivables past due and not due.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

2.16 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.

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 is stated at cost, which comprises direct costs of extraction and direct and indirect overhead expenses.

2.17 Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

2.19 Contract liabilities

Contract liabilities represent the company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the company has transferred the goods or services to the customer.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition

The company recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Revenues from the sale of electricity

Revenues from the sale of electricity are recognized when electricity is delivered at the interconnection point defined in the sales agreement. Billing for electricity sales is made each month within five (5) days of the month following the month in which the consumption of electricity is performed.

Revenues from the sale of the coal

Sale of coal is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rent

Rent revenue is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue form Unbalancing

Revenues from (positive) imbalances are created in the case when the production realization for certain hours exceeds the production planning and in the system a positive imbalance (deviation) is created and in these circumstances the energy is pushed into the system and billed as the amount of energy diverted. multiplied by the fixed hourly price of the HUPEX stock multiplying by the factor 0.7.

Income from Co generation

Revenues from the sales of thermic energy are recognized when energy 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.

Revenue from exchange of energy

The exchange of electricity is carried out in order to support the parties involved in this agreement (KEK and KESH) as in the case of Import or even Export. When KEK has surpluses of electricity that it cannot place on the market, then it asks KESH to deposit them and vice versa, when KESH has surpluses of electricity due to the increase in the water level, then it asks KEK to deposit electricity. In other cases when either party is in an emergency and needs to receive energy from the other, then it submits the request to the other party with reasonableness and duration. Price for exchange of electricity is based on an average price for electricity and is recognized as income/expense in the period in which the exchange of electricity occurs.

2.21 Operating expenses

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the

2.22 Borrowing costs

Borrowing costs primarily comprise interest on the Company's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported as "finance costs".

2.23 Retirement benefit costs

Pension contribution

The Company makes no provision and has no obligation for employee pensions over and above the contributions paid into the obligatory pension plan, Kosovo Pension Savings Trust (KPST).

2.24 Taxation

Taxation has been provided for in the financial statements in accordance with Kosovo tax regulations currently in force, Law no. 06/L-105 "On Corporate Income Tax". The tax rate on taxable corporate income is fixed at 10%.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The company does not recognize deferred tax asset on provisions including the provision for receivable as it considers that is due to the uncertainty of tax treatment in future periods.

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.

2.25 Government grants

Government grants are not recognised 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 are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

2.26 Value added tax

Revenues, expenses are recognized net of the amount of value added tax, except when the value added tax from the purchase of assets or services is not reimbursable by the tax authority, in which case the value added tax is recognized as part of the expenses for the acquisition or as part of the cost where appropriate; and

The net amount of value added tax which is recoverable from, or payable to the tax authorities is included as part of the receivables or liabilities in the statement of financial position

2.27 Equity

Shareholder's capital
The shareholder's capital comprises of 25,000 ordinary shares at 1 (one) EUR per share. The Company's sole shareholder is Government of Kosovo.

Reserves
Reserves 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.

Accumulated Losses

Accumulated Losses debit/ credit as per profit or loss year result.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions related to Clean-up and land reclamation
The balance of provision represents the Company's best estimate of costs related to clean-up and land reclamation, ash dump removal and decommissioning of gasification plant from energy generation sites. These costs are based on the management internal assessments, where management believes that timings of cash flow in this regard will be 3-10 years. While making provision assessments, the Company utilized all related factors including possible offers for such projects, estimated timing of cash flows and other market related information.

Provisions related to staff disability
Provisions are recognized in the Company financial statements for payments related to supplementary pensions and rents which are paid based on court decisions for employees injured at work place and have lost their ability to work and to their family members in the event that the employee has died in the workplace. The management makes yearly estimation about the balance that need to be accounted for in relation to the Company's obligation for payment of supplementary pensions and rents.

2.29 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.

2.30 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.

2.31 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 New or amended Accounting Standards and Interpretations adopted

From the announced accounting announcements, for the standards that come into force from January 1, 2022, there have been no changes that have a significant impact on the financial statements of the economic entity.

Other standards and changes that are effective for the first time in 2022 and may apply to the Company are:

Reference to the Conceptual Framework (Amendments to IFRS 3)
COVID-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)
Property, plant and equipment: income before intended use (Amendments to IAS 16)

Loss-making contracts - The cost of fulfilling a contract (Amendments to IAS 37)

Annual improvement (cycle 2018-2020

)

Subsidiary as first-time adopter (Amendments to IFRS 1)
Fees in the '10%' test for non-recognition of financial liabilities (Amendments to IFRS 9)
Tax on fair value measurements (Amendments to IAS 41).

These amandaments do not have a significant impact on these Financial Statements and are therefore were not presented.

2.33 New or amended Accounting Standards and Interpretations adopted

The International Accounting Standards Board has published a series of standards and interpretations that are effective in future accounting periods that the company has decided not to apply in advance. The Company plans to apply these standards and interpretations when they become effective.

The following standards and interpretations have been issued, but are not mandatory for the current reporting period ended December 31, 2022:

- Presentation of explanatory information on accounting policies (Amendments to IAS 1 and Statement of Practice IFRS 2) - Effective from January 1, 2023
- Definition of Accounting Estimates (Amendments to IAS 8) - Effective from January 1, 2023
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12) - effective from January 1, 2023;
- IFRS 17 – Insurance Contracts – Effective January 1, 2023

The new standards, revisions and interpretations are not expected to have a material impact on the Company's financial statements in the period of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.34 Correction of prior period error

The Company has identified the error in the presentation of the items in the Company's equity and has corrected them retrospectively by restating its earliest period presented. Below is the error correction detail for the affected balances and transactions:

Statement offinancial position (Extract)	As at December 31, 2020 (EUR' 000)	Increase (Decrease) (EUR' 000)	January1 2021 (restated) (EUR' 000)
Reserves	568,784	(371,317)	197.467
Accumulated losses	(391,403)	371,317	(20,086)

Allowing errors in the classification of transactions that belong to the items of reserves and Accumulated Losses is related to the initial transactions recorded in the Company's books in 1999 and their subsequent corrections including damage to assets, stock provisioning and their transfer to KOSTT etc.

	Reserves	Accumulated losses
Balance as at 2021	**568,784**	**(391,403)**
Corrections related to previous periods	(191,655)	191,655
Recognition of grants	(101,449)	101,449
Impairment according to the DD report	(101,887)	101,887
Transfer to reserves and impairment release	29,563	(29,563)
Restated	(5,889)	5,889
Total error correction	(371,317)	371,317
The new balance declared on January 1, 2021	**197,467**	**(20,086)**

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
The Company assets are composed from large and complex installations. They are expensive to construct, tend to be exposed to harsh operating conditions and require periodic replacement or repair. Generating assets are composed from a significant number of components, many of which will have different useful life. 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.

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

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on the receivables past due and not due and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The managements make the assessment of impairment of inventory based on the movement of inventory during the year. The balance of impairment is calculated each year end and inventory that has not moved for 365 days is provisioned.

Provisions related to staff Benefits
Provisions are recognised in company financial statements for payments related to supplementary pensions and rents are paid based on court decisions, for persons injured at work place who have lost their ability to work and for their family members in the event that the person has died in the workplace. The management makes yearly estimation about the balance that need to be accounted for in relation to the company's obligation for payment of supplementary pensions and rents.

Assessment of legal cases
In the 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 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.

Taxes
The tax liability of the Company for operating activities is the sum of the total current tax liabilities. The calculation of the total tax payment of the Company necessarily includes a degree of evaluation and judgment in relation with certain items, the tax treatment of which cannot be determined definitively until a solution with the relevant tax authority has been reached or, as the case may be, through a formal legal process. The final solution of some of these items may have a material impact on the statement of comprehensive income and / or variances in cash flow.

4. 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, 2021	**11,489**	**75,199**	**45,926**	**664,665**	**12,148**	**809,427**
Additions	-	-	150	26,187	5,476	31,813
Written off	-	-	(5)	(242)	(33)	(280)
Internal transfers	-	5,175	259	5,009	(10,443)	-
Transfer to Inventory	-	-	-	-	(97)	(97)
As at December 31, 2021	**11,489**	**80,374**	**46,330**	**695,619**	**7,051**	**840,863**
As at January 1, 2022	**11,489**	**80,374**	**46,330**	**695,619**	**7,051**	**840,863**
Additions	-	3,197	298	5,880	733	10,108
Written off	-	-	(36)	(576)	-	(612)
Internal transfers	-	-	-	2,170	(2,170)	-
Transfer to Inventory	-	-	-	-	-	-
As at December 31, 2022	**11,489**	**83,571**	**46,592**	**703,093**	**5,614**	**850,359**

4. 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, 2021	-	**36,560**	**24,185**	**452,317**	-	**513,062**
Charge for the year	-	17,166	1,723	38,248		57,137
Removed on written off assets	-	-	(6)	(232)	-	(238)
As at December 31, 2021	-	**53,726**	**25,902**	**490,333**	-	**569,961**
As at January 1, 2022	-	**53,726**	**25,902**	**490,333**	-	**569,961**
Charge for the year	-	6,80	9 1,736	39,606	-	48,232
Removed on written off assets	-	-	(36)	(532)	-	(568)
As at December 31, 2022	-	**60,616**	**27,602**	**529,407**	-	**617,625**
Net book value:						
As at December 31, 2021	**11,489**	**26,648**	**20,428**	**205,286**	**7,051**	**270,902**
As at December 31, 2022	**11,489**	**22,955**	**18,990**	**173,686**	**5,614**	**232,734**

Included in the Property, Plant and Equipment, under the category Construction in Progress, are investments in mineral resources for the new mine in the amount of EUR 2,599 thousand as at December 31, 2022 (31 December 2021; 2,599 thousand).

As at December 2022 dhe 2021, the Company's equipment and mining assets are collateralized against borrowings from loan from Ministry of Finance (see Note 11).

Included in the 'land' and 'buildings' 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.

Covid-19 Impact

One of the Covid-19 impacts to Property, Plant and Equipment was the postponement for 2023/2025 of the implementation of the EU donation for the project of Electro-filters and other projects related to this in terms of shutting down the power plants.

5. INTANGIBLE ASSETS

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

	Software (in EUR '000)	Software in preparation (in EUR '000)	Total (in EUR '000)
Cost/deemed cost:			
Balance as at January 1, 2021	**280**	**187**	**467**
Additions during the year	768	-	768
Transfers	187	(187)	-
Write off	-	-	-
Balance as at December 31, 2021	**1,235**	**-**	**1,235**
Additions during the year	-	-	-
Transfers	-	-	-
Write off	(17)		(17)
Balance as at December 31, 2022	**1,218**	**-**	**1,218**
Accumulated amortization:			
Balance as at January 1, 2021	**246**	**-**	**246**
Amortization for the year	141	-	141
Write off	-	-	-
Balance as at December 31, 2021	**387**	**-**	**387**
Amortization for the year	230	-	230
Write off	(17)		(17)
Balance as at December 31, 2022	**600**	**-**	**600**
Net book value as at December 31, 2021	**848**	**-**	**848**
Net book value as at December 31, 2022	**618**	**-**	**618**

6. INVENTORIES

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

	31.12.2022 (in EUR '000)	31.12.2021 (in EUR '000)
Materials and consumables	25,272	26,683
Lignite	5,446	4,874
Fuel	3,060	1,679
Spare parts	13,991	14,038
Others	13,702	13,439
	61,471	**60,713**
Provision for obsolete inventories	(40,640)	(40,424)
	20,831	**20,289**

6. INVENTORIES (CONTINUED)

Movements in inventory provision account are presented as follows:

	2022 (in EUR '000)	2021 (in EUR '000)
Balance at 1 January	(40,424)	(39,071)
Charge for the Period	(216)	(1,353)
Release of provision	-	-
Balance at 31 December	**(40,640)**	**(40,424)**

7. TRADE AND OTHER RECEIVABLES

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

	31.12.2022 (in EUR '000)	31.12.2021 (in EUR '000)
Trade receivables:		
Local customers	80,773	61,707
Foreign customers	5,459	4,751
Interest accrued from KEDS and KESCO	7,426	1,257
	93,658	**67,715**
Loss allowance (see Note 28.B)	(22,617)	(17,564)
	71,041	**50,151**
Other receivables and advances:		
Advances to suppliers	1,000	3,846
Accrual interest from deposits	313	-
Vat Receivables	-	491
Bank Guarantee-Margin account	10	10
Other receivables	5,635	778
	6,958	**5,125**
Loss allowance for other receivables and advances (see Note 28.B)	(45)	(599)
Total other receivables	**6,913**	**4,526**
Total	**77,954**	**54,677**

Trade receivables are amounts due from customers for sale of electricity, cogeneration steam, coal etc in the ordinary course of business. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. Other receivables and advances are composed form advances given to suppliers for works and services to be performed whereas the other receivables are amount due from costumers for services performed. For further analysis on impairment allowance and credit risk please refer to Note 28.B.

Interest accrued from KEDS and KESCO represents the receivable related to late payments of electricity invoices from KEDS/KESCO.

8. CASH ON HAND AND AT BANKS

Cash on hand and banks in the statement of financial position are analyzed as follows:

	31.12.2022 (in EUR '000)	31.12.2021 (in EUR '000)
Current accounts with banks	97,120	112,513
Cash on hand	7	4
	97,127	**112,517**

9. TERM DEPOSITS

Term deposits t in the statement of financial position are analyzed as follows:

	31.21.2022 (in EUR '000)	31.12.2021 (in EUR '000)
Short term deposits		
Deposits in commercial local banks	48,500	-
Long term deposits		
Deposits in commercial local banks	96,900	-
	145,400	-

Interest rates for short-term deposits for fiscal year 2022 were 1.2% to 2.50%, while the interest rate for long-term deposits was from 2.65% to 2.85% per annum. Long-term deposits have a maturity of 2-3 years from the end of the financial year 2022. The accrued interest on deposits is calculated in the amount of 313 thousand euros for the fiscal year 2022, note 7. Withholding tax of 10% is applied to income from interest in term deposits and is held by banks with the payment of interest to the company.

10. SHARE CAPITAL

As at December 31, 2022 and 2021 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. It comprises of 25,000 ordinary shares at 1 (one) EUR per share. The Company's sole shareholder is Government of Kosovo.

10.1 DIVIDENDS

The Government of Kosovo (The Shareholder) in the meeting held on 25 August 2021 has issued decision number 13/31 with which it has requested the distribution of dividend from KEK in the amount of 10,000 thousand EUR to the shareholder. Based on the decision of the government, the temporary Board of KEK JSC has issued a decision on the distribution of Dividends in the amount required in law 08 / L-016 to amend the law 07 / L-041 on budget allocations for 2021. Dividend in the amount of 10,000 thousand EUR was paid on 22 September 2021.

11. RESERVES

Reserves, which at December 31, 2022 amount to EUR 197,848 thousand (2021: 197,467 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

12. BORROWINGS

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

	31.12.2022 (in EUR '000)	31.12.2021 (in EUR '000)
Non–current portion		
Interest bearing loan from Ministry of Finance	115,380	126,767
	115,380	**126,767**
Current portion		
Interest bearing loan from MoF - Current portion	11,387	11,387
Accrued Interest (not past due)	639	628
	12,026	**12,015**
Total borrowings	**127,406**	**138,782**

Government loans:

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 instalments except for the first interest payment of EUR 1,500 thousand which was paid on 15 October 2015.The principal and interest are payable starting from 15 October 2018 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 4).

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 instalments 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 4).

The repayment plan of the loans is as follows:

	Total in EUR'000
Within 12 months	11,387
2023	11,387
2024	11,387
2025	11,387
2026	11,387
After 2027	69,832
	126,767

12.1 Net debt reconciliation

	31.12.2022 (in EUR '000)	31.12.2021 (in EUR '000)
Cash and cash equivalents	97,127	112,517
Borrowings – repayable within one year	(12,026)	(12,015)
Borrowings – repayable after one year	(115,380)	(126,767)
Net debt	**(30,279)**	**(26,265)**
Cash and liquid investments	97,127	112,517
Gross debt – variable interest rates	(127.406)	(138,782)
Net debt	**(30,279)**	**(26,265)**

12 BORROWINGS (CONTINUED)

12.2 Changes in liabilities arising from financing activities

	1 January 2022	Cash flows	Non-Cash Changes	31 December 2022
	EUR '000	EUR '000	EUR '000	EUR '000
Current interest-bearing borrowings	11,387		-	11,387
Non-current interest-bearing borrowings	126,767	(11,387)	-	115,380
	138,154	**(11,387)**	**-**	**126,767**

	1 January 2021	Cash flows	Non-Cash Changes	31 December 2021
	EUR '000	EUR '000	EUR '000	EUR '000
Current interest-bearing borrowings	11,387		-	11,387
Non-current interest-bearing borrowings	138,154	(11,387)	-	126,767
	149,541	**(11,387)**	**-**	**138,154**

13. DEFERRED GRANTS

The Company has deferred grants received before 2010 year from the Government of Republic of Kosovo for financing of long-term assets. The remaining balance as at 31 December 2022 and 2021 is as follows:

	31.12.2022 (in EUR '000)	31.12.2021 (in EUR '000)
As at January 1	**10,820**	**16,156**
Amortized during the year (Note 17)	(2,609)	(5,336)
Balance as at December 31	**8,211**	**10,820**

13.1 DEFERRED GRANTS – IMPORT OF ENERGY

The company has received grants from the Government of Republic of Kosovo to cover the cost of electricity imported in order to meet the needs of end users of electricity. The subsidy received and the costs associated with the import of electricity are as follows:

	31.12.2022 (in EUR '000)	31.12.2021 (in EUR '000)
As at January 1	**16,648**	**-**
Grants received during the year	30,000	20,000
Released during the year (Note 17)	(19,636)	(3,352)
Balance as at December 31	**27,012**	**16,648**

14. PROVISIONS

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

	As at December 31, 2022 (in EUR '000)					As at December 31, 2021 (in EUR '000)				
	Clean-up and land reclamation	Legal cases	Staff pension	Additional salaries	Total	Clean-up and land reclamation	Legal cases	Staff pension	Additional salaries	Total
Balance as at January 1,										
Change / release during the year	**38,995**	**16,033**	**649**	**-**	**55,677**	**28,731**	**17,650**	**717**	**1,463**	**48,561**
Interest charge	(258)	(90)	(75)	-	**(423)**	9,667	(1,617)	(80)	(1,463)	**6,507**
Reclassifications during the year	926	-	13	-	**938**	597	-	12	-	**609**
As at December 31,						-	-	-	-	-
Balance as at January 1,	**39,663**	**15,943**	**587**	**-**	**56,193**	**38,995**	**16,033**	**649**	**-**	**55,677**

Clean-up and land reclamation provisions:

The balance of provision as at December 31, 2021 represents the Company's best estimate of costs related to clean-up and land reclamation, ash dump removal and decommissioning of gasification plant from energy generation sites. These costs are based on the management internal assessments, where management believes that timings of cash flow in this regard will be 3-10 years. While making provision assessments, the Company utilized all related factors including possible offers for such projects, estimated timing of cash flows and other market related information.

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

	31.12.2022 (in EUR '000)	31.12.2021 (in EUR '000)
Ash dump removal	5,945	5,945
Overburden dump	16,048	16,048
Treatment of dangerous chemicals	12,541	12,799
Treatment of water spills	3,606	3,606
Interest charge (accumulated)	1,523	597
	39,663	**38,995**

14. PROVISIONS (CONTINUED)

Clean-up and land reclamation provisions

As at 31 December 2019 the management has made new estimation about the environmental liabilities, the project "Decommissioning of gasification plant" has been removed from provisions. This obligation will be addressed through the Decommissioning Project of the EU-funded Chemical Application Area. The commitment to finance this project was given by the EU (through IPA funds) in December 2019.

Also, project "Air reduction pollution in Kosovo A" has been removed since Green Belt projects, Cleaning and maintenance of green areas and Pear Park (WB), will affect the improvement of air quality for TPP Kosovo A, while due to the age of TPP Kosovo A and uncertainty about the reconstruction / decommissioning of TC Kosova A the management does not plan any investment in this power plant.

The new provisions for Overburden dump are based on legal liabilities of the company and internal cost calculations based on previous years experiences. During the year 2022, based on new estimations made the Company recognised additional provisions.

Legal provision:

As at December 2022, the Company has reassessed the possible impact of court cases. The Company believes that the amount of EUR 15,943 thousand (31 dhjetor 2021: 16,033 thousand) is a best estimate for any probable outflow of cash. The following table disclosure the nature of the legal provisions:

	December 31, 2022 (in EUR '000)	December 31, 2021 (in EUR '000))
Dispute relate with termination of employment and employment related	7,786	8,667
Dispute with supplier	963	955
Compensation claims related to damage of property	4,488	3,605
Other Claims	749	849
Claims for electricity exchanged	1,957	1,957
Total legal provisions	**15,943**	**16,033**

Provisions related to staff

Provisions are recognized in the Company financial statements for payments related to supplementary pensions and rents which are paid based on court decisions for employees injured at work place and have lost their ability to work and to their family members in the event that the employee has died in the workplace. The management makes yearly estimation about the balance that need to be accounted for in relation to the Company's obligation for payment of supplementary pensions and rents.

15. 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.

	31.12.2022 (in EUR '000)	31.12.2021 (in EUR '000)
Trade Creditors		
Local suppliers	11,268	6,309
Foreign suppliers	2,729	503
	13,997	**6,812**
Other current payables		
Income tax and pension contribution payables	541	639
Customers advances	-	40
VAT Payable	885	-
TAX Payable	435	
VAT Payable	5,597	31
	7,458	**710**
	21,455	**7,522**

16. ACCRUED EXPENSES

Accrual expenses consist of the following:

	31.12.2022 (in EUR '000)	31.12.2021 (in EUR '000)
Lignite royalty fee	6,464	7,059
Other accrued expenses	123	422
	6,587	**7,481**

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 EUR 3\ton in 2022 (2021: 3 Eur /ton). Total royalty fee charged in current profit and loss for the year ended December 31 2022 amounts to EUR 25,071 thousand (2021: 14,792 thousand). For the period 01 January 2021 until 31 May 2021 KEK was exempted from paying the tariff for lignite with the law on economic recovery.

17. REVENUES FROM ELECTRICITY AND OTHER SALES

The Company's sales consist of the following:

	Year ended December 31,2022 (in EUR '000)	Year ended December 31,2021 (in EUR '000)
Sale of electricity		
Revenue from sale of electricity	150,622	152,131
Income from no balances	10,537	1,420
Income from Co generation	1,402	1,424
Export of electricity	117,386	58,037
	279,947	**213,012**
Other sales		
Sales of coal	3,260	3,109
Other	310	486
	3,570	**3,595**
	283,517	**216,607**

17. REVENUES FROM ELECTRICITY AND OTHER SALES (CONTINUED)

Sales of electricity by customer are as followed:

	Year ended December 31,2022 (in EUR '000)	Year ended December 31,2021 (in EUR '000)
Sale of electricity		
KEDS	20,589	19,042
KESCO	127,329	127,033
FERRONIKELI	159	
KOSTT	2,545	6,056
	150,622	**152,131**

18. INCOME FROM GRANTS

Revenues from grants presented in the Comprehensive Income Statement are related to depreciation of non-current assets financed through grants prior to year 2010:

	Year ended December 31,2022 (in EUR '000)	Year ended December 31,2021 (in EUR '000)
Amortization of deferred grants related to PPE	2,609	5,336
Income released regarding import of energy	19,636	3,352
	22,245	**8,688**

The Company has not received grants, neither for operating expenses or finance of long-term assets, since 2010 year.

The Government of the Republic of Kosovo (KRK) with decision number 05/55 dated 21.01.2022 has allocated funds for subsidizing the import of electricity in the amount of 10,000 thousand euros, as well as with decision 02/117 dated 29.12.2022 allocated funds additional in the amount of 20,000 thousand euros for the same purpose. For the year 2022, the QRK has allocated a total of 30,000 thousand euros to cover the import of electricity. On the basis of decision 05/55 dated 21.01.2022, KEK and ME have signed an agreement for Monitoring and control, in which KEK takes responsibility for ensuring the import of electricity to cover supply needs with energy for end consumers. Whereas, based on decision 02/117 dated 29.12.2022, such an agreement was not deemed necessary since the decision was clear to be implemented.

Until 31st December 2022, KEK has imported in total 168,891 mWh electricity.

19. OTHER INCOME

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

	Year ended December 31,2022 (in EUR '000)	Year ended December 31,2021 (in EUR '000)
Collection of client receivables from KESCO/KEDS*	901	878
Income from rent	26	26
Income from interest on deposits	348	
Other income	924	448
	2,199	**1,352**

*Subsequent to the transfer of the Distribution and Supply divisions, KEK entered into an agreement with KEDS to assign to KEDS the collection of outstanding receivables and KEK has written off all the amounts receivable from individual and commercial clients, which were already fully provided for. The net amount of receivable written off at 08 of May 2013 is kept as off-balance sheet account and as at 31 December 2022 amounts to EUR 288,244 thousand.

20. STAFF COSTS

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

	Year ended December 31,2022 (in EUR '000)	Year ended December 31,2021 (in EUR '000)
Salaries, net	39,193	43,578
Pension contributions and taxes	7,700	5,916
Other	134	1,234
	47,027	**50,728**

21. ELECTRICITY AND OTHER UTILITIES

Electricity and other utilities are presented in the Comprehensive Income Statement and are analysed as follows:

	Year ended December 31,2022 (in EUR '000)	Year ended December 31,2021 (in EUR '000)
Fuel	5,307	5,591
Transmission of electricity	15,102	11,802
Electricity imported	4,556	
Expenses for covering of losses (ERO Decision 909_2017)*	3,518	2,228
Gas and water	895	790
Exchange of electricity expenses	-	219
Electricity imported**	23,647	5,984
	53,025	**26,614**

*Decision V_909_2017 was taken by ERO for the annual adjustments for the regulatory period 2013-2016. Based on this decision, ERO has obliged KEK to compensate the amount of 21 million euros to consumers through KOSTT. For the implementation of this decision, KEK and KOSTT have agreements for sale and purchase of energy and compensation. The same amount is recognized as income under KOSTT.
KEK has fully concluded the obligation to KOSTT that derives from this decision.

** The electricity imported, based on decision no. 05/55 dated 21.01.2022 and decision 02/117 dated 29.12.2022, as disclosed in note 18, amounts to EUR 23,647 thousand. The amount of EUR 19,636 thousand is released through the Government Grant, while the remaining amount was invoiced to KESCO and it is included in the sale of electricity in note 17.

22. OTHER OPERATING EXPENSES

Other operating expenses are presented in the comprehensive income statement and are analysed as follows:

	Year ended December 31,2022 (in EUR '000)	Year ended December 31,2021 (in EUR '000)
Insurance expenses	1,925	1,713
Litigation expenses	399	1,243
Licenses	957	1,197
Payments for environmental claims	424	415
Non-production	284	519
Expenses related to collection of old receivables – (Kesco)	-	252
Written of PPE and Inventory	98	12
Utilities	251	281
Property Tax expenses	159	228
Legal and consulting	137	62
Transport services	1,195	-
Direct written of receivables and other assets	112	99
Other expenses	610	598
	6,551	**6,619**

23. FINANCIAL INCOME/EXPENSES NET

Financial income/expenses net are presented in the comprehensive income statement and are analysed as follows:

	Year ended December 31,2022 (in EUR '000)	Year ended December 31,2021 (in EUR '000)
Interest income	5,600	375
Interest expense on borrowings	(2,966)	(3,016)
Interest charge on provisions	(940)	(609)
Financial income/(charges), net	**1,694**	**(3,250)**

24. TAXATION

The composition of the taxation expense for 2022 and 2021 is as follows:

	Year ended December 31,2022 (in EUR '000)	Year ended December 31,2021 (in EUR '000)
Current tax charge	14,123	7,714
Deferred tax expense	(498)	331
	13,625	**8,045**

24. TAXATION (CONTINUED)

The reconciliation between accounting and tax profit is presented in the table below:

	Year ended December 31,2022 (in EUR '000)	Year ended December 31,2021 (in EUR '000)
Profit before taxation	118,742	48,025
Not deductible expenses for tax purposes		
Depreciation	*18,077*	*17,010*
Impairment losses/releases of trade and other receivables and write offs	*4,500*	*3,647*
Change in provision of inventory	*216*	-
Change in environmental provisions		*10,264*
Change on other provision		*(1,617)*
Other Non-Deductible-Tax expenses	687	3,683
Income excluded for tax purposes		
Change in provision of inventory	*(90)*	*(1,353)*
Change in lignite reserve	*(572)*	*(983)*
Change in provision of additional salaries		*(1,463)*
Change in environmental provisions	*(258)*	-
Change in provisioning of the pension fund	*(75)*	*(68)*
Profit before utilization of tax losses	**141,227**	**77,145**
Tax losses brought forward	-	-
Taxable Profit	**141,227**	**77,145**
Income tax expense for the year	**14,123**	**7,714**
Deferred tax charges	(498)	331
Income tax expenses	**13,625**	**8,045**

According to the Corporate Income Law no. 06/L-105, 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 four years following the year in which the tax loss was incurred.

25. DEFERRED TAX LIABILITIES

Deferred tax liability is calculated as follows:

	Year ended December 31,2022 (in EUR '000)	Year ended December 31,2021 (in EUR '000)
Carrying number of buildings, equipment and IT Software	193,455	226,649
Tax carrying amount	(96,977)	(118,950)
Taxable temporary difference	**96,479**	**107,699**
Deferred tax liability at 10%	**9,648**	**10,770**

Total deferred tax liability was released through profit and loss other comprehensive income for the year ended December 31, 2022 in amount of EUR (498) thousand and EUR (624) thousand respectively (2021: EUR 331 thousand and (381) thousand, respectively).

26. COMMITMENTS AND CONTINGENCIES

A Commitments:

As at December 31, 2022, the Company has capital commitments of EUR 24,865 thousand (2021: EUR 27,409 thousand). The Company has no operational lease commitments as at year end.

B Contingent Liabilities:

As of the date of these financial statements the Company is involved in 611 lawsuits (2021: 635 cases). Përveç provizionit të njohur në këto pasqyra financiare, Kompania beson se nuk do të ketë ndonjë dispozitë 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. The potential undiscounted amount of the total payments for contingent liabilities not recognized in the financial statements, that the Company could be required to make, if there was an adverse decision related to the lawsuit, is estimated to be approximately EUR 12,575 thousand.

C Tax Litigations

The Company's financial statements for the year ended December 31, 2022 and 2021 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 2022 will not differ significantly compared to the one reported in these financial statements.

D Bank and other guarantees

As at December 31, 2022, , outstanding guarantees issued in favour of the Company were amounting to EUR 26,996 thousand (as at December 2021: EUR 16,350 thousand). Whereas the Guarantees issued by the Company in favour of other parties' amount to EUR 93 thousand as at 31 December 2022.

26. COMMITMENTS AND CONTINGENCIES (CONTINUED)

F 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 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.

The Kosovo Energy Strategy 2017 - 2026 stands for building new capacities for generation of electricity and decommissioning of TPP Kosova A, for various reasons the process was delayed and finally in 2015 the bidder was selected for the construction of TPP Kosova e Re, however, the selected company has declared withdrawal from this project. Therefore, a new strategy must now be written in these new circumstances, where it must be based on local resources and decision-making, and the future of TPP Kosova A is vital.

Given the change of circumstances and the general situation created in the sector of energy in the country, with the aim to assist the decision making for the future of TPP Kosova, a Feasibility Study for rehabilitation / reconstruction of TPP Kosova A should be performed.
The strategic goal of the rehabilitation / reconstruction of TPP Kosova A is to diagnose the current condition of TPP Kosova A, to extend the working life of this power plant, in accordance with EU and State environmental requirements, and long - term and sustainable provision of coal power generation. Project objectives should cover aspects of following:

Extension of the operating life of TPP Kosova A for a period:
- at least 25 years old
- 10 to 15 years old

Maintenance of TPP A with Lignite primary fuel and auxiliary fuel Diesel;
Operation in full compliance with the laws, state instructions of Kosovo and of EU directives (LCP Directive 2010/75 / EU);
Opportunity to use the best BAT Technology available (Available Technology);
- Methods to be used to secure project objectives, and
- Ensuring the highest standards related to the protection of the human environment and life.

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**

26. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

27. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

	As at 31 December 2022 (in EUR '000)	As at 31 December 2021 (in EUR '000)
Financial assets		
Loans and receivables (amortized cost)		
Trade and other receivables	76,954	50,340
Cash and cash equivalents	97,127	112,517
Term deposits	145,400	-
	319,481	**162,857**
Financial liabilities		
Other liabilities (amortized cost)		
Trade and other payables	20,570	7,482
Borrowings	127,406	138,782
Accrued expenses	6,587	7,481
	154,563	**153,745**

28. 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 31 December 2022 (in EUR '000)	As at 31 December 2021 (in EUR '000)
Debt	127,406	138,782
Equity	312,705	207,687
Debt to equity ratio	**41%**	**67%**

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 company obtains guarantees where appropriate to mitigate credit risk. The Company's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days.
The ongoing credit risk is managed by monitoring the costumers on monthly basis and customers warned promptly. Trade receivables consist of small number of costumers The due net receivables from KESCO, KEDS, Termokos, KOSTT dhe Kosova Thëngjilli represent the significant part of the net receivables of the Company as at 31 December 2022. The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks. The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of financial position, as stated in the following table:

	As at 31 December 2022 (in EUR '000)	As at 31 December 2021 (in EUR '000)
Financial assets		
Loans and receivables		
Trade and other receivables	76,954	50,340
Cash and Cash Equivalents	97,127	112,517
Term deposits	145,400	
	319,481	**162,857**

The Company analyzes its receivables grouped based on the receivables past due and not due and makes assumptions to allocate an overall expected credit loss rate for each group. At December 31 2022 and 2021, the Company has not allocated credit loss to certain trade receivables that are not due those which have not been settled by the contractual due date considering that they will be received in the first months of subsequent year.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Allowance for expected credit losses

The Company has recognized a loss of EUR 4,499 thousand in statement of comprehensive income in respect of the expected credit losses for the year ended 31 December 2022.

Below are presented the trade receivables based on the receivables past due and not due and allowance for expected credit losses provided for above are as follows:

	As at 31 December 2022 (in EUR '000)			As at 31 December 2021 (in EUR '000)		
Trade receivables due and not yet due	**Gross value**	**Provision**	**Net value**	**Gross value**	**Provision**	**Net value**
overdue by up to 6 months	49,269	(5,974)	43,295	36,720	(2,622)	34,098
overdue by 6-12 months	3,271	(1,472)	1,799	1,020	(459)	561
overdue by more than 12 months	15,171	(15,171)	-	14,483	(14,483)	-
Trade receivables due	**67,711**	**22,617)**	**45,094**	**52,223**	**(17,564)**	**34,659**
Not yet due	25,947	-	25,947	15,492	-	15,492
Trade receivables not yet due	25,947	-	25,947	**15,492**	**-**	**15,492**
Total	**93,658**	**(22,617)**	**71,041**	**67,715**	**(17,564)**	**50,151**

The loss allowances for trade and other receivables as at 31 December reconcile to the opening loss allowances as follows:

	As at 31 December 2022 (in EUR '000)	**As at 31 December 2021 (in EUR '000)**
Balance at 1 January	**(18,163)**	**(18,402)**
Write offs of old receivables provision	-	-
Release of provisions	-	378
Charge for the Period	(4,500)	(4,025)
Balance at 31 December	**(22,662)**	**(18,163)**

Trade and other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Net impairment losses on financial assets recognized in profit or loss

During the year, the following gains/(losses) were recognized in profit or loss in relation to impaired financial assets:

	As at 31 December 2022 (in EUR '000)	As at 31 December 2021 (in EUR '000)
Impairment losses		
Impairment charged to trade and other receivables	(4,500)	(4,025)
Reversal of previous impairment losses		378
Net impairment losses on financial assets	**(4,500)**	**(3,647)**

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.

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 2022 and 2021, all borrowings are obtained from the Government of Kosovo, who is the 100% shareholder of the Company, with variables interest rates. Given below is the analysis of both financial assets and financial liabilities.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

	As at 31 December 2022 (in EUR '000)	As at 31 December 2021 (in EUR '000)
Assets		
Non – interest bearing		
Trade and other receivables	76,954	50,340
Cash and cash equivalents	7	4
	76,907	**50,344**
Fixed rate interest		
Cash and cash equivalents	97,120	112,513
Term deposits	145,400	
	319,481	**162,857**
Liabilities		
Non – interest bearing		
Trade and other payables	20,570	7,482
Accrued expenses	6,587	7,481
Variable rate interest		
Borrowings	127,406	138,782
	154,563	**153,745**

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% (2021: +/- 2.5%).

	Profit for the year		Equity	
	+ 2.5%	- 2.5%	+ 2.5%	- 2.5%
December 31, 2022	3,185	3,185	-	-
December 31, 2021	3,470	3,470	-	-

28. 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, 2022 and 2021, the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

As at December 31, 2022

Financial Liabilities	Within 1 Month (in EUR '000)	From 1 to 3 months (in EUR '000)	From 3 to 12 months (in EUR '000)	From 1 year to 5 years (in EUR '000)	Over 5 years (in EUR '000)	Total (in EUR '000)
Trade and other payables						
Borrowings	13,346	6,192	1,033	-	-	20,570
Accrued expenses	-	-	12,026	45,548	69,832	127,406
Total liabilities	6,587	-	-	-	-	6,587
Financial Liabilities	**19,933**	**6,192**	**12,026**	**45,548**	**69,832**	**154,563**

As at December 31, 2021

	Within 1 Month (in EUR '000)	From 1 to 3 months (in EUR '000)	From 3 to 12 months (in EUR '000)	From 1 year to 5 years (in EUR '000)	Over 5 years (in EUR '000)	Total (in EUR '000)
Financial Liabilities						
Trade and other payables	4,854	2,252	376	-	-	7,482
Borrowings	-	-	12,015	45,548	81,219	138,782
Accrued expenses	7,481	-	-	-	-	7,481
Total liabilities	**12,335**	**2,252**	**12,391**	**45,548**	**81,219**	**153,745**

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

G: - Fair value of financial instruments

Fair value estimation

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments recognized at fair value

The financial assets measured according to the fair value in the statement of financial position are in accordance with the hierarchy of the fair value which groups the financial assets and liabilities into three levels based on the significance of the incoming data used during the measurement of the fair value of the financial assets. Fair value hierarchy is as follows:

- Level 1: quoted prices (not adjusted) on the active markets for identical assets or liabilities;
- Level 2: other incoming data, aside from the quoted prices, included in Level 1 which are available for asset or liability observing, directly (i.e. as prices), or indirectly (i.e. made of prices) and
- Level 3: incoming data on the asset or liability that are not based on data available for market observing.

As at 31 December 2022 and 2021, the Company has no financial assets measured at fair value.

Financial instruments that are not presented at fair value

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.

	Carrying amounts		Fair values	
Financial assets	**As at December 31, 2022 (in EUR '000)**	**As at December 31, 2021 (in EUR '000)**	**As at December 31, 2022 (in EUR '000)**	**As at December 31, 2021 (in EUR '000)**
Trade and other receivables	76,954	50,340	76,954	50,340
Cash and Banks	97,127	112,517	97,127	112,517
Term deposits	145,400		145,400	
Total	**319,481**	**162,857**	**319,481**	**162,857**

	Carrying amounts		Fair values	
Financial Liabilities	**As at December 31, 2021 (in EUR '000)**	**As at December 31, 2022 (in EUR '000)**	**As at December 31, 2021 (in EUR '000)**	**As at December 31, 2022 (in EUR '000)**
Trade and other accounts payable	20,570	7,482	20,570	7,482
Borrowings	127,406	138,782	127,406	138,782
Accrued expenses	6,587	7,481	6,587	7,481
Total	**154,563**	**153,745**	**154,563**	**153,745**

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.

29. 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 1,152 MW, and operated at 76.00% of the plants' capacity during 2022 (2021: 77.00%). The production of energy in both plants for 2022 was 5,677,896 MWh (2021: 5,769,931 MWh).

	As at December 31 2022	As at December 31 2021
Kosova A	(në MW/h)	(në MW/h)
Unit A3	831,504	943,213
Unit A4	983,354	388,257
Unit A5	480,630	1,018,592
	2,295,488	**2,350,062**
Kosova B		
Unit B1	2,148,083	2,060,465
Unit B2	1,902,822	2,042,012
	4,050,905	**4,102,477**
Total	**6,346,394**	**6,452,539**
Internal Consumption	(548,142)	(551,199)
Internal Consumption – Cost	(120,356)	(131,409)
	(668,498)	**(682,608)**
Net energy produced	**5,677,896**	**5,769,931**

The production of lignite in 2022 was 8,344,541 ton (2021: 8,535,436 ton).

Electricity losses:

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

30. 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 2022	As at December 31 2021
Borrowings	Ministry of Finance	127,406	138,782
Payment of Dividend	Ministry of Finance	-	10,000
Interest expense	Ministry of Finance	2,966	3,016
Compensation (salaries)	Executive and non-executive officers	125	124
		130,497	**141,922**

31. SUBSEQUENT EVENTS

After December 31, 2022, the reporting date until the approval of these financial statements, there are no adjusting events reflected in the financial statements or other events that are materially significant for disclosure in these financial statements.