



HydroEnergy Sh.p.k
Financial Statements
For the year ending 31 December 2017

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Independent Auditors' Report

To the management and shareholders of HydroEnergy Sh.p.k

Opinion

We have audited the accompanying financial statements of HydroEnergy Sh.p.k (the "Company") which comprise the statement of financial position as at 31 December 2017 and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with National Accounting Standards (NASs) as required by the Albanian Companies Law.

Basis for Opinion

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

Responsibilities of the Management for the Financial Statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with National Accounting Standards as required by the Albanian Law, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

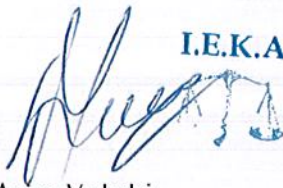
- ✚ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ✚ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ✚ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- ✚ Conclude on the appropriateness of the Managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ✚ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

Auditues ligjor
Margarita Kalemasi

08 March 2018
Tiranë, Shqipëri



I.E.K.A Margarita KALEMASI
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HydroEnergy sh.p.k

The statement of financial position at 31 december 2017

All amounts are expressed in LEK, unless otherwise stated

Statement of Financial Position

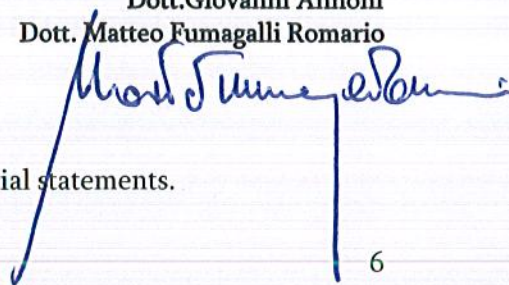
ASSETS	Note	31/12/2017	31/12/2016
Non-Current Assets			
Land and buildings	4	67,704,348	66,538,848
Plant and machinery	4	1,979,584,315	2,083,883,489
Other goods	4	1,117,831	1,408,477
Total non-current assets		2,048,406,494	2,151,830,814
Current Assets			
Cash and cash equivalents	5	10,435,827	105,999,326
Trade accounts	6	36,548,270	36,562,049
Taxes receivable	7	260,779,505	276,423,456
Total current assets		307,763,602	418,984,831
TOTAL ASSETS		2,356,170,096	2,570,815,645
LIABILITIES AND EQUITY			
Shareholders' equity			
Share capital	8	1,444,108,950	228,928,950
Reserves	9	19,991,264	19,991,264
Retained earnings (losses)		(246,738,927)	(143,556,986)
Net profit (loss) for the year		(78,928,229)	(103,181,943)
TOTAL EQUITY		1,138,433,059	2,181,286
Current liabilities			
Trade accounts	10	159,063,922	1,793,347,716
Other payables	11	921,079	233,762
Total current liabilities		159,985,001	1,793,581,478
Non-current liabilities			
Due to banks and financiers	12	1,057,752,036	775,052,881
Total non-current liabilities		1,057,752,036	775,052,881
Total liabilities		1,217,737,037	2,568,634,359
TOTAL LIABILITIES AND EQUITY		2,356,170,096	2,570,815,645

Chief Financial Officer
Dott.ssa Mejtina Kamberi



HYDROENERGY sh.p.k
Rr Kavajës Dajës Kombinat
Vaqarr (Tiranë) ALBANIA

Chief Executive Officer
Dott. Giovanni Annoni
Dott. Matteo Fumagalli Romario



Notes to the pages 10-22 are integrated part of these financial statements.

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The income statement at 31 december 2017

All amounts are expressed in LEK, unless otherwise stated

Income Statement

	Note	31/12/2017	31/12/2016
Revenues			
<i>Revenues</i>	13	119,106,358	165,079,802
Operating costs			
<i>Personnel expenses</i>	14	(6,120,425)	(8,169,219)
<i>Operating expenses</i>	15	(20,898,048)	(12,072,324)
<i>Depreciation of fixed assets</i>	4	(104,589,820)	(110,121,806)
Total operating costs		(131,608,293)	(130,363,349)
Financial expenses			
Exchange rates gain	16	22,910,306	38,981,050
Interest and other financial charges	16	(89,336,600)	(175,246,261)
		(66,426,293)	(136,265,212)
Profit (loss) before tax	17	(78,928,229)	(101,548,759)
<i>Income tax for the year</i>			(1,633,183)
PROFIT (LOSS) FOR THE YEAR		(78,928,229)	(103,181,943)



Notes to the pages 10-22 are integrated part of these financial statements.

HydroEnergy sh.p.k

Statement of changes in equity for the year end as of 31 december 2017

All amounts are expressed in LEK, unless otherwise stated

Statement of changes in shareholders capital

	Share capital	Reserves	Retained earnings	Net profit	Total
Balance as at 01.01.2016	228,928,950	19,991,264	(143,556,986)	-	105,363,229
Allocation of 2015 profit					-
Profit (loss) for the financial year				(103,181,943)	(103,181,943)
Balance as at 31.12.2016	228,928,950	19,991,264	(143,556,986)	(103,181,943)	2,181,286
Allocation of 2016 profit	1,215,180,000		(103,181,943)	103,181,943	1,215,180,000
Profit for the financial year				(78,928,229)	(78,928,229)
Balance as at 31.12.2017	1,444,108,950	19,991,264	(246,738,928)	(78,928,229)	1,138,433,059



HYDROENERGY Sh.p.k
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Notes on pages 10-22 are integrated part of these financial statements.

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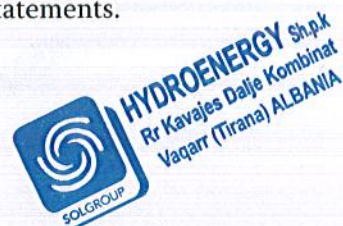
Cash flow statement for the year end as of 31 december 2017

All amounts are expressed in LEK, unless otherwise stated

Cash flow statement

	Note	31/12/2017	31/12/2016
CASH FLOWS GENERATED BY OPERATING ACTIVITIES			
Loss for the year		(78,928,229)	(103,181,943)
<i>Adjustments not affecting liquidity:</i>			
Depreciation/amortisation	4	104,589,820	110,121,806
<i>Changes in current assets and liabilities:</i>			
- Inventories		-	-
- Receivable accounts	6,7	15,657,730	37,544,043
- Payables	10,11	(1,633,596,477)	1,669,833,204
Cash flow generated by operating activities		(1,592,277,156)	1,714,317,111
CASH FLOWS GENERATED BY INVESTMENT ACTIVITIES			
Acquisition of tangible fixed assets	4	(1,165,500)	(3,068,617)
Cash flow generated by investment activities		(1,165,500)	(3,068,617)
CASH FLOWS GENERATED BY FINANCING ACTIVITIES			
Increase of share capital	8	1,215,180,000	-
Payment of loans	12	282,699,155	(1,651,704,221)
Cash flow generated by financing activities		1,497,879,155	(1,651,704,221)
(DECREASE) IN CASH	5	(95,563,499)	59,544,273
CASH AT BEGINNING OF YEAR	5	105,999,326	46,455,053
CASH AT END OF YEAR	5	10,435,827	105,999,326

Notes to the pages 10-22 are integrated part of these financial statements.



HydroEnergy sh.p.k

Notes to the financial statements for the year ending at 31 December 2017

All amounts are expressed in LEK, unless otherwise stated

1. GENERAL INFORMATION

HydroEnergy Sh.p.k (the "Company") is a limited liability company registered in Albania. The company's address is Vaqarr, Tirana, Albania. The company is registered with unique number of identification K91527017E.

The company was initially registered as a concession company by Euro-AL Sh.pk and Energysolution Sh.pk and was involved in a BOT concession agreement to construct and operate hydropower plants Murdhari 1 and Murdhari 2 in the municipalities Krrabë and Ibë.

Following the transfer of shares from Energysolution Sh.pk to SOL S.p.A in June 2009, currently the Company is owned by SOL and Euro-AL with 96.04% and 3.96% of the capital respectively.

The managers of the Company are Mr. Giovanni Annoni and Mr. Matteo Fumagalli Romario.

Concessionary Agreement - Important Terms

According to Articles 78 and 83 of the Albanian Constitution and Law no. 9663 "On Concessions" dated 18.12.2006, Decision of the Council of Ministers no. 310 "On the determination of the contracting authority, for the concession of the hydropower plant "Murdhari 1", and the approval of the bonus, in the selection procedure, given to the company" dated 26.03.2008, a concession agreement was signed between the Ministry of Economy, Trade and Energetics - METE (currently Ministry of Energy and Industry - MEI) and the joint of companies "Euro-AL" Sh.pk and "EnergySolution" Sh.pk as a Concessionary Company for Financing, Design, Construction, Installation, Administration and the maintenance of hydropower plants "Murdhari 1" and "Murdhari 2" and their transfer at the end of the contract from the Concessionaire to the Contracting Authority.

Based on the Concessionaire Agreement, the Company will build two Hydropower Production Units (Murdhari 1 and Murdhari 2) with an installed power of 2680 kW and 1000 kW and with an electricity output of 10566570 kWh and 4195400 kWh respectively.

The agreement is organized as a BOT type model (Build-Operate-Transfer) and will last for an initial period of 35 years from the effective date.



HydroEnergy sh.p.k

Notes to the financial statements for the year ending at 31 December 2017

All amounts are expressed in LEK, unless otherwise stated

2. THE BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements are prepared for legal reporting purposes and are prepared in accordance with the requirements of the law No. 9228 “On Accounting and Financial Statements” and in accordance with the National Accounting Standards (“NAS”) applied in Albania.

2.2 Functional and presentation currency

The financial statements are presented in Lek, which is at the same time the functional currency of the Company.

2.4 Use of judgements and assessments

The preparation of the financial statements requires the Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The actual results may differ from these assumptions.

Estimates and assumptions are continually revised. Revisions to accounting estimates are recognized in the period in which the estimate is reviewed and in future periods if they are affected.

3. ACCOUNTING POLICIES

The accounting policies mentioned below are applied consistently in all periods presented in these financial statements.

3.1 Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency and are recorded at the exchange rate at the date of the transaction. Foreign currency assets and liabilities at the reporting date are translated into Lek at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate of the date of the transaction, whereas those that are measured at fair value are reversed in the functional currency at the exchange rate of the date when the fair value is determined. Differences resulting from the exchange rate are generally recognized in profit or loss.

HydroEnergy sh.p.k

Notes to the financial statements for the year ending at 31 December 2017

All amounts are expressed in LEK, unless otherwise stated

3. ACCOUNTING POLICIES (CONTINUED)

3.1 Foreign Currency Transactions (continued)

Foreign exchange rates at 31 December 2017 and 2016 are detailed below:

Currency	31 December 2017	31 December 2016
1 EUR	132.95	135.23
1 USD	111.10	128.17
1 GBP	149.95	157.56

3.2 Financial instruments

Non-derivative financial instruments consist of receivables, cash and cash equivalents, domestic financing accounts, payables and liabilities to related parties.

All financial assets and liabilities are initially recognized at fair value plus any related transaction costs. After initial recognition, the non-derivative financial instruments are recognized as described below.

A financial instrument is recognized if the Company becomes a party to the contractual terms of the instrument. Financial assets are derecognised when the Company's contractual rights have expired on the cash flows of the financial asset or when the company transfers the financial asset to a third party without having retained control or all the material risks and rewards of the asset. The normal purchases and sales of financial assets are accounted for at the date of the transaction, which is the date on which the Company commits to acquire or sell the asset. Financial obligations are derecognized if the Company's contractual obligations expire, abrogate or revoke.

Cash and their equivalents

Cash and their equivalents include cash on hand, bank accounts and deposits. Cash and their equivalents are retained at amortized cost in the statement of financial position.

Receivables

Receivables are initially recognized at fair value and subsequently at amortized cost, deducting the impairment loss. Provision for impairment of receivables is calculated when there is evidence that the Company will not be able to collect all liabilities. The debtor's financial difficulties, the probability of the debtor failing or his financial reorganization are considered indicative that the receivables are impaired. Provision amount is calculated as the difference between the residual value and the present value of the future cash flows discounted at the effective interest rate.

HydroEnergy sh.p.k

Notes to the financial statements for the year ending at 31 December 2017

All amounts are expressed in LEK, unless otherwise stated

Payables

Payable accounts are presented at their fair value and subsequently at amortized cost using the effective interest method.

Fair value

The estimated fair value of cash and cash equivalents, receivables, payables are approximated to their carrying amount.

3.3 Non-current assets

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated amortization and accumulated impairment losses. The cost includes the costs directly related to the purchase of the asset. The cost of assets built by the Company itself includes the cost of materials and direct labour, any other costs directly related to the preparation of assets in the workforce for the purpose of their use; the costs of dismantling and removing the elements and restoring the land to the original state. Acquired software that is integral to the functionality of the relevant equipment is capitalized as part of this device. When parts of a material asset have different lifespan, they are calculated as separate. Gains and losses on disposal of an asset are determined by comparing the proceeds received from disposal with the carrying amount of the asset and reflected net income in other income statement of income and expense.

The following costs

The replacing cost of a part of an item of property, plant and equipment is added to the residual value of the element if it is probable that the future economic benefits associated with this element will flow to the Company, and its cost can be measured by accuracy. The costs of day-to-day maintenance of property, plant and equipment are recognized in the income statement at the time they occur.

Amortization

Amortization is calculated to allocate the cost of assets minus their residual value over useful life and is generally recognized in income and expense. Rental premises improvements are amortized over the term of the lease. Assets in the process are not amortized.

HydroEnergy sh.p.k

Notes to the financial statements for the year ending at 31 December 2017

All amounts are expressed in LEK, unless otherwise stated

3. ACCOUNTING POLICIES (CONTINUED)

3.3 Non-current assets (continued)

The amortization rates of the year and the methods set out below are applied for the current and comparative period.

- | | |
|-------------------------------|----------|
| • Building | 5% |
| • Vehicles | 20% |
| • Office & Informatics assets | 20 – 25% |
| • Intangible assets | 15% |

3.4 Provisions

A provision is recognized if, as a result of prior events, the Company has a legal or constructive obligation that can be estimated reliably and will require future cash outflows for its settlement. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market valuation of the time value of money and the risks associated with the obligation.

3.5 Revenue recognition

Revenues from sales and services are recorded at the time the effective transfer of the risks and the significant benefits deriving from the ownership or the performance of the service takes place. Revenues are stated net of discounts, allowances and returns. Revenues relating to contract work in progress are stated with reference to the stage of completion (stage of completion method).

3.6 Financial income and expenses

Financial income includes interest income from bank accounts and exchange rate gains recognized in profit or loss. Financial expenses include interest expenses on loans and exchange rate losses.

3.7 Income tax

Income taxes include all the taxation calculated on the Company's taxable income. Income taxes are recorded in the income statement, with the exception of those relating to items directly debited against or credited to shareholders' equity, in which case the tax effect is booked directly to shareholders' equity.

Other taxes not linked to income, such as taxes on property and on capital, are included under Operating expense.

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Notes to the financial statements for the year ending at 31 December 2017

All amounts are expressed in LEK, unless otherwise stated

3. ACCOUNTING POLICIES (CONTINUED)

3.7 Income tax (continued)

Deferred taxes are provided for according to the method of the overall provision of the liability. They are calculated on all the timing differences that emerge between the taxable base of an asset or liability and the book value in the financial statements, with the exception of goodwill not deductible for tax purposes.

Deferred tax assets on tax losses and unused tax credits carried forward, are recognised to the extent that future taxable income may be available against which they can be recovered.

Current and deferred tax assets and liabilities are offset when the income taxes are applied by the same tax authority and when there is a legal right to offset. Deferred tax assets and liabilities are determined using the tax rates which are expected to be applicable, within the legal system of Albania, during the accounting period when the timing differences will be realized or cancelled.

3.8 Dividends

Dividends payable are represented as changes in shareholders' equity during the accounting period when they are approved by the shareholders' meeting.

HydroEnergy sh.p.k

Notes to the financial statements for the year ending at 31 December 2017

All amounts are expressed in LEK, unless otherwise stated

4. NON-CURRENT ASSETS

Non-current Assets	Land and buildings	Plant and machinery	Other goods	Totals
<i>Cost</i>				
Balance as at 1.12.2016	64,241,651	2,390,010,868	4,022,353	2,458,274,872
Increase (Disposals)	2,297,197	771,420	-	3,068,617
Balance as at 31.12.2016	66,538,848	2,390,782,288	4,022,353	2,461,343,489
Increase (Disposals)	1,165,500	-	-	1,165,500
Balance as at 31.12.2017	67,704,348	2,390,782,288	4,022,353	2,462,508,989
<i>Accumulated depreciation</i>				
Balance as at 1.12.2016	-	(197,144,029)	(2,246,840)	(199,390,869)
Depreciation Disposals	-	(109,754,770)	(367,036)	(110,121,806)
Balance as at 31.12.2016	-	(306,898,799)	(2,613,876)	(309,512,675)
Depreciation Disposals	-	(104,299,174)	(290,646)	(104,589,820)
Balance as at 31.12.2017	-	(411,197,973)	(2,904,522)	(414,102,495)
<i>Net Value</i>				
Balance as at 31.12.2015	64,241,651	2,192,866,839	1,775,513	2,258,884,003
Balance as at 31.12.2016	66,538,848	2,083,883,489	1,408,477	2,151,830,814
Balance as at 31.12.2017	67,704,348	1,979,584,315	1,117,831	2,048,406,494

HydroEnergy Sh.p.k

Notes to the financial statements for the year ending at 31 December 2017

All amounts are expressed in LEK, unless otherwise stated

5. CASH AND CASH EQUIVALENTS

	31/12/2017	31/12/2016
Cash on hand	90,997	6,807
Cash at banks, in LEK	4,068,155	647,974
Cash at banks, in foreign currency	6,276,675	84,344,545
Other deposit guarantees	-	21,000,000
Total cash and cash equivalent	10,435,827	105,999,326

6. TRADE ACCOUNTS

	31 dhjetor 2017	31 dhjetor 2016
Receivables from related parties	-	-
Receivables from third parties	36,548,270	36,562,049
Totali	36,548,270	36,562,049

7. TAXES RECEIVABLE

	31/12/2017	31/12/2016
Income tax	1,531,264	4,797,628
VAT receivable	259,248,242	274,892,193
Totali	260,779,505	279,689,821

8. SHARE CAPITAL

As at 31 December 2017 the shareholders of the Company are SOL S.p.A. and EURO - AL Sh.p.k, with 96.04% and 3.96% of the capital respectively. Following the decision of the managers in February 2017, the share capital of the Company was increased by 9.000.000 Euro equivalent in 1,215,180,000 LEK to reach to 1,444,108,950 LEK in total.

9. RESERVES

The reserves created by the Company until December 31, 2017 and 2016 have a value of 19.991.264 LEK.

HydroEnergy Sh.p.k

Notes to the financial statements for the year ending at 31 December 2017

All amounts are expressed in LEK, unless otherwise stated

10. TRADE ACCOUNTS

Trade accounts due to suppliers as at 31 December 2017 are as follows:

	31/12/2017	31/12/2016
Payables to third parties	4,996,596	1,559,530,438
Payables to related parties	154,067,326	233,817,277
Total	159,063,922	1,793,347,715

11. OTHER CURRENT LIABILITIES

	31/12/2017	31/12/2016
Due to social security institutions	101,262	114,240
Personal income tax	23,331	119,522
Due to employees	796,486	
Total	921,079	233,762

12. NON-CURRENT LIABILITIES

	31/12/2017	31/12/2016
Payables to third parties	698,787,036	775,052,881
Payables to related parties	358,965,000	
Totali	1,057,752,036	775,052,881

13. REVENUES

	31/12/2017	31/12/2016
Revenue from sales and services	86,265,141	165,079,802
Other income and revenues	32,841,217	
Total	119,106,358	165,079,802

Other income and revenues represent the grants received from Albanian government for the production of electricity.

HydroEnergy Sh.p.k

Notes to the financial statements for the year ending at 31 December 2017

All amounts are expressed in LEK, unless otherwise stated

14. PERSONEL EXPENSES

	31/12/2017	31/12/2016
Social security institutions	730,047	918,748
Wages and salaries	5,390,378	7,130,231
Other for employees	-	120,240
Total	6,120,425	8,169,219

15. OPERATING EXPENSES

	31/12/2017	31/12/2016
Whithheld tax	6,014,172	216,039
Maintenance and repairs	4,855,320	1,569,204
Security	3,293,235	3,837,240
Consultancy expenses	2,627,976	2,763,871
Insurances	2,278,728	2,345,105
Bank service costs	519,898	187,353
Other local taxes and tariffs	425,895	517,757
Electricity, water and fuel	346,125	236,100
Rent	161,400	166,200
Other operating expenses	127,787	90,101
Travel	112,320	10,500
Telecommunication	111,193	112,804
Fines and penalties	24,000	20,050
Total	20,898,048	12,072,324

16. NET FINANCIAL EXPENSES

	31/12/2017	31/12/2016
Gains from foreign exchange	23,100,257	39,008,389
(Loss from foreign exchange)	(189,951)	(27,339)
Total profit from foreign exchange	22,910,306	38,981,050
Interest income	20,456	20,943
Interest expenses	(89,357,055)	(175,267,204)
Total interest expense	(89,336,600)	(175,246,261)
Total financial expenses, net	(66,426,293)	(136,265,212)

HydroEnergy Sh.p.k

Notes to the financial statements for the year ending at 31 December 2017

All amounts are expressed in LEK, unless otherwise stated

17. INCOME TAX

The income tax rate in Albania is 15% (2016:15%) of the taxable income.

	31/12/2017	31/12/2016
Loss for the year	(78,928,229)	(101,548,759)
Non-deductible expenses	6,124,467	145,954,288
Fiscal profit (loss) for the year	(72,803,762)	44,405,529
Retained loss		(33,517,645)
Income tax @ 15%		1,633,183
Fiscal profit (loss) for the year	(72,803,762)	9,254,701

Non-deductible expenses relate to expenditures that according to Albanian Law cannot be deducted for the calculation of taxable income.

18. RELATED PARTY TRANSACTIONS

The Company is controlled by SOL S.p.A and has transactions with its parent and other companies intragroup. A summary of related balances is presented below:

<i>Receivables from related parties:</i>	31-12-2017	31-12-2016
From group companies	-	-
Total	-	-

<i>Payables due to SOL S.p.A</i>	31/12/2017	31/12/2016
Commercial	154,067,326	233,817,277
Financial	358,965,000	1,555,145,000
Total	513,032,326	1,788,962,277

<i>Revenues from related parties:</i>	31/12/2017	31/12/2016
From group companies	-	-
Total	-	-

<i>Costs</i>	31/12/2017	31/12/2016
G.T.S-Gazra Teknike Shqiptare Sh.p.k	161,400	257,460
SOL S.p.A	39,507,859	20,120,821
	39,669,259	20,378,281

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Notes to the financial statements for the year ending at 31 December 2017

All amounts are expressed in LEK, unless otherwise stated

19. INFORMATION ON RISKS

19.1 Financial risk

The Company is exposed to the following risks from the use of financial instruments:

- Credit risk - relating to normal trade transactions with customers
- Liquidity risk – relating to the raising of financial resources associated with investments and with the financing of working capital
- Market risk - relating to exchange and interest rates

Management is responsible for the implementation and oversight of the Company's risk management policies. Management is also responsible for developing and monitoring the Company's risk management policies.

19.2 Credit risk

The granting of credit to end customers is subject to specific assessments by means of structured credit facility systems.

Positions amongst trade receivables for which objective partial or total non-recoverability is ascertained, are subject to write-down. Provisions are made on a collective basis for receivables that are not subject to write-down, taking into account the historic experience and the statistical data.

19.3 Liquidity risk

The liquidity risk may manifest with regards to the inability to raise the financial resources necessary for the anticipated investments and for the financing of the working capital under good economic conditions.

The Company has adopted a series of policies and processes aimed at optimising the management of the financial resources, reducing the liquidity risk, such as the maintenance of an adequate level of available liquidity, the obtaining of adequate credit facilities and the systematic monitoring of the forecast liquidity conditions, in relation to the corporate planning process.

Management believes that the funds and the credit facilities currently available, in addition to those that will be generated by operating and financing activities, will permit the Company to satisfy its requirements deriving from activities for investments, working capital management and debt repayments on their natural maturity dates.

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Notes to the financial statements for the year ending at 31 December 2017

All amounts are expressed in LEK, unless otherwise stated

19. INFORMATION ON RISKS (CONTINUED)

19.4 Exchange rate risk

In relation to the sales activities, the Company may find itself with trade receivables or payables denominated in currencies other than the operating currency.

The Company purchases gases and other products from abroad suppliers that operate in different currency, mainly in Euro. The price of goods is affected by the Euro/dollar rate of exchange. The risk related to the fluctuations of exchange rates is not mitigated by any specific policy from the company.

19.5 Tax risks

The Company is subject to taxation in Albania and it may be subject to the assessment of the income tax returns by the competent tax authorities of Albania.

20. EVENTS AFTER THE FINANCIAL YEAR

There are no events to report following the close of the financial year.

