

HydroEnergy Sh.p.k
Financial Statements
For the year ending 31 December 2019

Table of contents

Independent Auditors' Report	3
Statement of Financial Position.....	5
Income Statement.....	6
Statement of changes in shareholders capital	7
Cash flow statement	8
1. General Information.....	9
2. The Basis Of Preparation.....	9
3. Accounting Policies.....	10
4. Non-Current Assets.....	14
5. Financial Assets.....	15
6. Cash And Cash Equivalents	15
7. Trade Accounts	15
8. Taxes Receivable	15
9. Share Capital	15
10. Reserves.....	15
11. Provision	16
12. Trade Accounts	16
13. Other Current Liabilities.....	16
14. Non-Current Liabilities.....	16
15. Revenues	16
16. Personel Expenses	17
17. Consumable Materials And Goods	17
18. Services.....	17
19. Other Operating Costs	18
20. Net Financial Expenses	18
21. Income Tax.....	18
22. Related Party Transactions.....	19
23. Events After The Financial Year.....	19



HYDROENERGY Sh.p.k
Rr Kavajes Dalje Kombinat
Vaqarr (Tirana) ALBANIA

A handwritten signature in blue ink, appearing to read 'Goran Shnor', written over the company name.

Margarita Kalemasi –Auditues Ligjor
NUIS: L51330007D - License No. 156
Rruga Asim Vokshi, Nd. 14, H. 6, A. 27,
1016, Tiranë, Shqipëri
Tel: +35542420666

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 2019 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 2019, 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

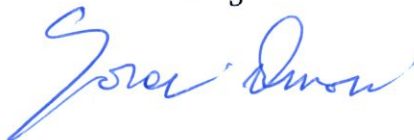
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with 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.



3



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.

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.

Engagement Partner
Margarita Kalemasi



26 February 2020
Tirana, Albania

HydroEnergy sh.p.k

The statement of financial position at 31 december 2019

All amounts are expressed in LEK, unless otherwise stated

Statement of Financial Position

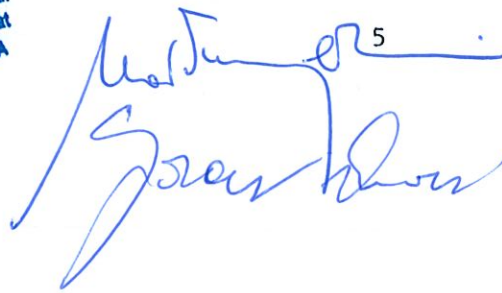
ASSETS	Note	31/12/2019	31/12/2018
Non-Current Assets			
Tangible assets			
Land and buildings	4	67,704,348	67,704,348
Plant and machinery	4	1,869,853,494	1,949,495,501
Other goods	4	2,666,879	1,974,136
Total tangible assets		1,940,224,721	2,019,173,985
Financial assets	5	92,180,000	-
Total non-current assets		2,032,404,721	2,019,173,985
Current Assets			
Cash and cash equivalents	6	686,500	27,326,636
Trade accounts	7	50,219,297	16,378,088
Taxes receivable	8	226,314,776	245,186,694
Total current assets		277,220,573	288,891,417
TOTAL ASSETS		2,309,625,294	2,308,065,402
LIABILITIES AND EQUITY			
Shareholders' equity			
Share capital	9	1,444,108,950	1,444,108,950
Reserves	10	19,991,264	19,991,264
Retained earnings (losses)		(278,905,093)	(325,667,156)
Net profit (loss) for the year		(56,187,935)	46,762,063
TOTAL EQUITY		1,129,007,186	1,185,195,121
Current liabilities			
Provisions	11	11,106,118	-
Trade accounts	12	211,992,063	178,104,707
Other payables	13	202,799	532,040
Total current liabilities		223,300,980	178,636,747
Non-current liabilities			
Due to banks and financiers	14	513,033,628	586,315,533
Due to related parties	14	444,283,500	357,918,000
Total non-current liabilities		957,317,128	944,233,533
Total liabilities		1,180,618,108	1,122,870,280
TOTAL LIABILITIES AND EQUITY		2,309,625,294	2,308,065,402

Notes to the pages 9-19 are integral part of these financial statements.

Chief Financial Officer
Dott.ssa Mejtina Kamberi



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




HydroEnergy sh.p.k

The income statement at 31 december 2019

All amounts are expressed in LEK, unless otherwise stated

Income Statement

PROFIT AND LOSS	Note	31/12/2019	31/12/2018
Revenue from sales and services	15	129,480,047	152,348,000
Production costs			
Personnel expenses	16	(5,213,865)	(5,239,525)
Consumable materials and goods	17	(187,131)	(2,830)
Services	18	(16,354,442)	(11,738,213)
Use of third parties assets (rent)		(148,533)	(154,350)
depreciation of fixed assets	4	(98,235,095)	(100,318,467)
Provisions for risks		(11,106,118)	-
Other operating costs	19	(828,504)	(1,460,913)
Total		(132,073,688)	(118,914,298)
Financial income and charges			
Exchange gain	20	15,571,228	83,457,345
Interest and other financial charge	20	(64,914,609)	(70,128,984)
		(49,343,381)	13,328,361
Profit (loss) before taxes		(51,937,022)	46,762,062
Income taxes for the year	21	(4,250,913)	-
Profit (Loss) for the year		(56,187,935)	46,762,062

Notes to the pages 9-19 are integrated part of these financial statements.



Handwritten signature in blue ink, appearing to read 'Besim Shkollari'.

HydroEnergy sh.p.k

Statement of changes in equity for the year end as of 31 december 2019

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 01.01.2018	1,444,108,950	19,991,264	(325,667,156)	-	1,138,433,058
Allocation of 2017 profit	-	-	-	-	-
Profit (loss) for the financial year	-	-	-	46,762,062	-
Balance as at 31.12.2018	1,444,108,950	19,991,264	(325,667,156)	46,762,062	1,185,195,121
Allocation of 2018 profit	-	-	46,762,062	(46,762,062)	-
Profit for the financial year	-	-	-	(56,187,935)	(56,187,935)
Balance as at 31.12.2019	1,444,108,950	19,991,264	(278,905,094)	(56,187,935)	1,129,007,186

Notes to the pages 9-19 are integrated part of these financial statements.



Handwritten signature in blue ink, appearing to read 'Gjergj Dajle'.

HydroEnergy sh.p.k

Cash flow statement for the year end as of 31 december 2019

All amounts are expressed in LEK, unless otherwise stated

Cash flow statement

	31/12/2019	31/12/2018
CASH FLOWS GENERATED BY OPERATING ACTIVITIES		
Loss for the year	(56,187,935)	46,762,062
<i>Adjustments not affecting liquidity:</i>		
Depreciation/amortisation	98,235,095	100,318,467
<i>Changes in current assets and liabilities:</i>		
- Inventories		
- Receivable accounts	(107,149,291)	35,762,994
- Payables	44,664,233	18,651,746
Cash flow generated by operating activities	(20,437,898)	201,495,269
CASH FLOWS GENERATED BY INVESTMENT ACTIVITIES		
Acquisition of tangible fixed assets	(19,285,832)	(71,085,958)
Cash flow generated by investment activities	(19,285,832)	(71,085,958)
CASH FLOWS GENERATED BY FINANCING ACTIVITIES		
Increase of share capital		
Payment of loans	13,083,595	(113,518,503)
Cash flow generated by financing activities	13,083,595	(113,518,503)
(DECREASE) IN CASH	(26,640,135)	16,890,809
CASH AT BEGINNING OF YEAR	27,326,636	10,435,827
CASH AT END OF YEAR	686,500	27,326,636

Notes to the pages 9-19 are integrated part of these financial statements.



[Handwritten signature]

HydroEnergy sh.p.k

Notes to the financial statements for the year ending at 31 December 2019

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.p.k and Energysolution Sh.p.k 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.p.k 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.

The employee number as at 31 December 2019 was 7 (2018: 7).

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.p.k and "EnergySolution" Sh.p.k 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 built 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.

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.



Matteo Fumagalli Romario
Giovanni Annoni

HydroEnergy sh.p.k

Notes to the financial statements for the year ending at 31 December 2019

All amounts are expressed in LEK, unless otherwise stated

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.

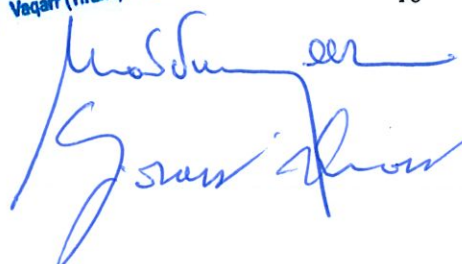
Foreign exchange rates at 31 December 2019 and 2018 are detailed below:

Currency	31-Dec-19	31-Dec-18
1 EUR	121.77	123.42
1 USD	108.64	107.82

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.



HydroEnergy sh.p.k

Notes to the financial statements for the year ending at 31 December 2019

All amounts are expressed in LEK, unless otherwise stated

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.

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.

Handwritten signature
Gjergj Ishani

HydroEnergy sh.p.k

Notes to the financial statements for the year ending at 31 December 2019

All amounts are expressed in LEK, unless otherwise stated

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.

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.

Handwritten signature
Grand Shou

HydroEnergy sh.p.k

Notes to the financial statements for the year ending at 31 December 2019

All amounts are expressed in LEK, unless otherwise stated

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

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.

Goran Dreni
Kristina



HYDROENERGY Sh.p.k
Rr Kavajes Dalje Kombinat
Vaqarr (Tirana) ALBANIA

HydroEnergy sh.p.k

Notes to the financial statements for the year ending at 31 December 2019

All amounts are expressed in LEK, unless otherwise stated

4. NON-CURRENT ASSETS

Non-current Assets	Land	Machinery	Other goods	Total
<i>Cost</i>				
Balance as at 1.12.2018	67,704,348	2,390,782,288	4,022,353	2,462,508,989
Increases	-	69,877,189	1,665,693	71,542,882
(Disposals)	-	(819,840)	(819,840)	(819,840)
Balance as at 31.12.2018	67,704,348	2,460,659,477	4,868,206	2,533,232,031
Increases	-	18,123,256	1,162,575	19,285,831
(Disposals)	-	-	-	-
Balance as at 31.12.2019	67,704,348	2,478,782,733	6,030,781	2,552,517,862
<i>Accumulated depreciation</i>				
Balance as at 1.12.2018	-	(411,197,973)	(2,904,521)	(414,102,494)
Depreciation	-	(99,966,004)	(352,464)	(100,318,467)
Disposals	-	-	362,916	362,916
Balance as at 31.12.2018	-	(511,163,977)	(2,894,069)	(514,058,046)
Depreciation	-	(97,765,262)	(469,833)	(98,235,095)
Disposals	-	-	-	-
Balance as at 31.12.2019	-	(608,929,239)	(3,363,902)	(612,293,141)
<i>Net Value</i>				
Balance as at 31.12.2018	67,704,348	1,949,495,501	1,974,136	2,019,173,985
Balance as at 31.12.2019	67,704,348	1,869,853,494	2,666,878	1,940,224,721

HydroEnergy Sh.p.k

Notes to the financial statements for the year ending at 31 December 2019

All amounts are expressed in LEK, unless otherwise stated

5. FINANCIAL ASSETS

Financial assets of 92,180,000 Lek represent the amount of guarantee deposits placed for tax litigation.

6. CASH AND CASH EQUIVALENTS

	31/12/2019	31/12/2018
Cash on hand	168,026	151,040
Cash at banks, in LEK	313,310	1,716,181
Cash at banks, in foreign currency	205,164	25,459,415
Total cash and cash equivalent	686,500	27,326,636

7. TRADE ACCOUNTS

	31/12/2019	31/12/2018
Trade receivables	24,904,581	16,378,088
Others	25,314,716	-
Total	50,219,297	16,378,088

Other receivables represent the value of the produced electricity during December 2019 which is billed in January 2020.

8. TAXES RECEIVABLE

	31/12/2019	31/12/2018
VAT receivable	224,930,700	243,652,187
Income tax	1,379,968	1,531,264
Other prepayments	4,108	3,243
Total	226,314,776	245,186,694

9. SHARE CAPITAL

As at 31 December 2019 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. The value of share capital is 1.444.108.950,00 LEK.

10. RESERVES

The reserves created by the Company until December 31, 2019 have a value of 19.991.264 LEK.



HYDROENERGY Sh.p.k
Rr Kavajes Dalje Kombinat
Vaqarr (Tirana) ALBANIA

15

Two handwritten signatures in blue ink, one above the other, appearing to be official approvals or signatures of company representatives.

HydroEnergy Sh.p.k

Notes to the financial statements for the year ending at 31 December 2019

All amounts are expressed in LEK, unless otherwise stated

11. PROVISION

Provision of 11,106,118 Lek represents potential fiscal liabilities.

12. TRADE ACCOUNTS

Trade accounts due to suppliers as at 31 December 2019 are as follows:

	31/12/2019	31/12/2018
Payables to third parties	16,026,808	7,488,596
Payables to related parties	195,965,255	170,616,111
Total	211,992,063	178,104,707

13. OTHER CURRENT LIABILITIES

	31/12/2019	31/12/2018
Due to social security institutions	115,873	113,296
Personal income tax	86,926	76,627
Withheld tax	-	342,117
Total	202,799	532,040

14. NON-CURRENT LIABILITIES

	31/12/2019	31/12/2018
Payables to third parties	513,033,628	586,315,533
Payables to related parties	444,283,500	357,918,000
Total	957,317,128	944,233,533

15. REVENUES

	31/12/2019	31/12/2018
Revenue from sales and services	129,480,047	151,078,000
Other income and revenues	-	1,270,000
Total	129,480,047	152,348,000

	31/12/2019	31/12/2018
Brut sales of electricity	132,122,497	154,161,224
Concession fee	(2,642,450)	(3,083,224)
Net revenues from sale of electricity	129,480,047	151,078,000

The total sale of the electricity is subject to a 2% concession fee that the company pays to the Albanian Power Corporation.



HYDROENERGY Sh.p.k
Rr Kavajes Dalje Kombinat
Vaqarr (Tirana) ALBANIA

16

HydroEnergy Sh.p.k

Notes to the financial statements for the year ending at 31 December 2019

All amounts are expressed in LEK, unless otherwise stated

16. PERSONEL EXPENSES

	31/12/2019	31/12/2018
Social security institutions	4,597,999	616,291
Wages and salaries	615,866	4,623,234
Total	5,213,865	5,239,525

17. CONSUMABLE MATERIALS AND GOODS

	31/12/2019	31/12/2018
Electricity	144,281	-
Office stationery	42,850	2,830
Total	187,131	2,830

18. SERVICES

	31/12/2019	31/12/2018
Consultancies	7,890,739	2,964,744
Private security	2,909,183	3,062,453
Maintenance and repairs	2,502,504	1,898,615
Insurances	1,978,496	2,112,617
Fuel	475,831	485,000
Bank charges	181,960	262,930
Travel expenses	176,830	736,695
Other personnel expenses	120,240	120,240
Telecommunication	97,860	82,038
Transport costs	18,300	-
Customs services	2,500	12,882
Total	16,354,442	11,738,213

Other personnel expenses of 120,240 Lek represent the cost of the payment of social securities as required by law.



HYDROENERGY Sh.p.k
Rr Kavajes Dalje Kombinat
Vaqarr (Tirana) ALBANIA

HydroEnergy Sh.p.k

Notes to the financial statements for the year ending at 31 December 2019

All amounts are expressed in LEK, unless otherwise stated

19. OTHER OPERATING COSTS

	31/12/2019	31/12/2018
Municipal taxes	151,000	101,000
Other taxes	455,204	612,779
Other expenses	119,400	242,914
Withheld tax	102,900	504,219
Total	828,504	1,460,913

20. NET FINANCIAL EXPENSES

	31/12/2019	31/12/2018
Gains from foreign exchange	15,620,850	83,796,916
(Loss from foreign exchange)	(49,623)	(339,571)
Total profit from foreign exchange	15,571,228	83,457,345
Interest income	-	-
Interest expenses	(64,914,609)	(70,128,984)
Total interest expense	(64,914,609)	(70,128,984)
Total financial expenses, net	(49,343,381)	13,328,361

21. INCOME TAX

The income tax rate in Albania is 15% (2018:15%) of the taxable income.

	31/12/2019	31/12/2018
Profit / (Loss) for the year	(56,187,935)	46,762,062
Income tax on the previous years	(4,250,913)	-
Non-deductible expenses	(11,328,418)	(654,209)
Fiscal profit (loss) for the year	(40,608,605)	46,107,853

The cost of 4.250.913 Lek refers to income tax on the previous years.



HYDROENERGY Sh.p.k
Rr Kavajes Dalje Kombinat
Vaqarr (Tirana) ALBANIA

Handwritten signature in blue ink, appearing to read 'Goran Shou'.

HydroEnergy Sh.p.k

Notes to the financial statements for the year ending at 31 December 2019

All amounts are expressed in LEK, unless otherwise stated

22. 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>Trade payables</i>	<u>31/12/2019</u>	<u>31/12/2018</u>
SOL S.p.A	195,634,284	170,616,111
G.T.S Sh.p.k	330,971	-
Total	195,965,255	170,616,111

<i>Financial</i>	<u>31/12/2019</u>	<u>31/12/2018</u>
SOL S.p.A	432,283,500	357,918,000
G.T.S sh.p.k	12,000,000	-
Total	444,283,500	357,918,000

23. EVENTS AFTER THE FINANCIAL YEAR

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

