

Energji Ashta

Energji Ashta Sh.p.k
Independent Auditor's Report and
Financial Statements
for the year ended 31 December 2023

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Independent Auditor's Report

To the Management and Shareholder of Energji Ashta sh.p.k.,

Opinion

We have audited the financial statements of Energji Ashta sh.p.k. (the Company), which comprise the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, included in pages 9-30

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

TPA Albania Shpk

Date 28 April 2024



Laura Gjinali, Statutory Auditor

TPA Albania shpk

Rr.Ibrahim Rugova, Pall.Shallvare, Apt.44, 1000 Tirana, Albania

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Energji Ashta Sh.p.k.

Statement of financial position as at 31 December 2023


(Amounts in Lek)


	Notes	31 Dec. 2023	31 Dec. 2022
Assets			
Property, plant and equipment	7	20,032,305	25,349,574
Intangible assets	8	15,380,458,833	16,156,107,613
Deferred tax asset		574,674,861	603,625,544
Total non-current assets		15,975,165,999	16,785,082,731
Inventories	9	119,622,712	113,751,510
Prepayments and deferred expenses	10	6,946,975	8,859,172
Trade receivables	11	521,614,149	345,107,023
Other assets	12	1,641,362,115	1,105,988,795
Restricted cash and deposits with banks	13	3,010,750	23,429,289
Cash and cash equivalents	14	6,080,221	56,648,741
Total current assets		2,298,636,922	1,653,784,530
Total assets		18,273,802,921	18,438,867,261
Equity			
Share capital	15	12,460,176,500	12,460,176,500
Profit/loss carried forward		(4,229,847,937)	(5,047,622,745)
Profit/loss for the period		1,431,042,489	817,774,808
Total equity		9,661,371,052	8,230,328,563
Liabilities			
Long-term borrowings	16	7,609,210,000	9,166,957,500
Total non-current liabilities		7,609,210,000	9,166,957,500
Short-term portion of long-term borrowings	16	751,622,616	828,471,519
Trade payables and other liabilities	17	251,599,253	213,109,679
Total short-term liabilities		1,003,221,869	1,041,581,198
Total liabilities		8,612,431,869	10,208,538,698
Total liabilities and equity		18,273,802,921	18,438,867,261

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements set out on the following pages.

These financial statements have been authorised for issue by the management of Energji Ashta Sh.p.k. on 11.04.2024 and signed on its behalf by:


Peter Stelzer
Administrator


Peter Loidl
Administrator


Brunila Leskaj
Certified Accountant
HM&H business Shpk
Rr. Abdi Toptani, Nr. 10, Kercire Drin, Kati 4
Tiranë, Shqipëri

Energji Ashta Sh.p.k.**Statement of profit or loss and other comprehensive income for the year ended 31 December 2023***(Amounts in Lek, unless otherwise stated)*

	Notes	2023	2022
Revenue	18	2,275,124,640	1,942,133,476
Other revenue		58,185	-
Other purchased goods and services		(49,416,648)	(43,105,349)
Personnel costs	19	(55,232,204)	(58,370,796)
Depreciation and amortization	7,8	(780,898,854)	(781,513,269)
Other operating expenses	20	(121,575,885)	(182,110,001)
Results from operating activities		1,268,059,234	877,034,061
Interest income		35,065,770	-
Interest and other charges	21	(331,991,318)	(457,803,650)
Foreign exchange gain/(loss), net	22	712,566,531	510,423,232
Finance costs, net		415,640,983	52,619,582
Profit/(loss) before income tax		1,683,700,217	929,653,643
Income tax expenses	23	(223,707,045)	(82,928,151)
Deferred tax expense		(28,950,683)	(28,950,684)
Profit/(loss) for the year		1,431,042,489	817,774,808
Other comprehensive income		-	-
Total comprehensive profit for the period		1,431,042,489	817,774,808

The statement of financial performance is to be read in conjunction with the notes to and forming part of the financial statements set out on the following pages.

Energji Ashta Sh.p.k.

Statement of changes in equity for the year ended 31 December 2023

(Amounts in Lek)

	Share capital	Accumulated losses	Total
Balance at 01 January 2022	<u>12,460,176,500</u>	<u>(5,047,622,745)</u>	<u>7,412,553,755</u>
Net loss for the year	-	817,774,808	817,774,808
Contributions from the owner	-	-	-
Balance at 31 December 2022	<u>12,460,176,500</u>	<u>(4,229,847,937)</u>	<u>8,230,328,563</u>
Net profit for the year	-	1,431,042,489	1,431,042,489
Contributions from the owner	-	-	-
Balance at 31 December 2023	<u><u>12,460,176,500</u></u>	<u><u>(2,798,805,448)</u></u>	<u><u>9,661,371,052</u></u>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on the following pages.

Energji Ashta Sh.p.k.

Statement of cash flows for the year ended 31 December 2023

(Amounts in Lek, unless otherwise stated)

	2023	2022
Cash flows from operating activities		
Profit/(loss) before income tax	1,683,700,217	929,653,643
<i>Adjustments for:</i>		
Depreciation and amortisation (notes 7,8)	780,898,854	781,513,269
Loss from disposal of assets	191,371	-
Interest expense and other charges	331,991,318	457,803,650
Interest income	-	-
	2,796,781,760	2,168,970,562
Changes in:		
Prepayments, receivables, and other assets	(709,968,268)	(473,312,328)
Restricted cash and deposits with banks	20,418,539	-
Inventories	(5,871,202)	(5,552,515)
Payables to related parties	-	-
Trade and other payables	38,489,594	146,903,866
Cash flows from operations	2,139,850,422	1,837,009,586
Current income tax paid	(223,707,045)	(82,928,151)
Interest paid	(331,991,318)	(457,803,650)
Interest received	-	-
Cash flows (used in)/from operating activities	1,584,152,061	1,296,277,785
Cash flows from Investing activities		
Acquisition of other tangible assets	(124,178)	(4,107,762)
Acquisition of intangible assets	-	-
Cash flow used in investing activities	(124,178)	(4,107,762)
Cash flows from financing activities		
Net proceeds from/(repayments of) borrowings	(1,634,596,403)	(1,462,315,826)
Proceeds from the issue of capital	-	-
Cash flows from/(used in) financing activities	(1,634,596,403)	(1,462,315,826)
Net increase/ (decrease) in cash and cash equivalents	(50,568,520)	(170,145,803)
Cash and cash equivalents beginning of period	56,648,741	226,794,544
Cash and cash equivalents at 31 December (Note 12)	6,080,221	56,648,741

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on the following pages.

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

1. GENERAL INFORMATION

Energji Ashta Sh.p.k. (the “Company”) was established on 11 December 2008. The principal office of the Company is located in HPP Ashta, Fshati Spathare, Bushat, Shkoder, Albania.

The company is registered at the National Business Center (NBC), with NUIS K82417005V and currently reports to the Large Taxpayers Directorate of Tirana.

Concession arrangement

Based on the Decision of the Council of Ministers No. 1363, dated 22 October 2008 “For the approval of Concession Agreement, between the Ministry of Economy, Trade and Energy and the Österreichische Elektrizitätswirtschafts-Aktiengesellschaft, for the construction, ownership, utilisation and transfer of the project for the new Hydropower plant in Ashta, in the Republic of Albania”, the Government of Albania, represented by the Ministry of Economy, Trade and Energy (“METE”) and the Company entered into a Concession Agreement, dated 17 October 2008 (the “Concession Agreement”).

The main objective of the Company is the execution of the Concession Agreement. The Concession is granted for a period of 35 years, starting from 17 October 2008. Based on the Concession Agreement the Company is entitled to the following:

- (i) design, finance, construct, test, own, operate, and maintain the hydropower plant;
- (ii) enrich and refurbish the existing objects, to own the enriched and refurbished parts of existing objects in accordance to the law and to use and maintain the existing objects;
- (iii) enjoy usufruct;
- (iv) have access and use the water in the lowest level of Drin river (within the concession area);
- (v) furnish FTL (KESH) with temporary net production of energy and with net production of energy and to collect the related buyer’s payments in accordance with the timing and conditions of Agreement for Sale of Energy, and sell to third parties net production of electric energy in an open market;
- (vi) return to the Government of Albania, the use of the concession area and the right for transfer, and transfer to the Government of Albania the ownership of hydropower plant and existing objects with the expiration of concession period;
- (vii) Have the exclusive right over each environment attribute generated by the project, including the related certificates.

The service concession agreement contains a renewal option.

Based on the Off-Take agreement with KESH Sh.a. (“KESH”), dated 30 September 2008, the Company shall invoice the declared output amount at the specified price.

Based on the Agreement dated 13.07.2017 signed between the Contracting Authority, the Concessionaire and Energji Ashta, the Concession Agreement was amended to reflect the transfer of the Purchaser’s rights and obligations under the Off-Take Agreement, from KESH to OSHEE GROUP; the amendment of the Concession Agreement was approved by decision of the Council of Ministers no.30, dated 18.01.2017.

Due to changes in the Albanian electrical energy sector, OSHEE GROUP and FTL agreed with Energji Ashta as seller to transfer the Purchaser’s rights and obligations under the Off-Take Agreement, from OSHEE GROUP to FTL starting form 1 January 2020.

The Company has recognised an intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement (see Note 8). The intangible asset represents the right to sell the electricity generated by the concession infrastructure. Capitalised borrowing costs were included in this intangible asset.

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

1. GENERAL INFORMATION (CONTINUED)

The balance group agreement

Based on the Agreement dated 25.03.2021 signed between KESH and EA KESH will incorporate EA in the KESH balancing energy group and jointly balance the energy flow. The fee for this service is calculated on market basis.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) which is the basis for the Company's statutory reporting.

The Company maintains its accounting records and publishes its statutory financial statements in accordance with the Accounting Law no. 25/2018 dated May 10, 2018 "On Accounting and Financial Statements" that entered in force on January 1, 2019.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Revenues and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the company.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency

The presentation currency is Albania Lek ("ALL") being also the functional currency.

d) Management assessment of the ability to continue as going concern

As at 31 December 2023, the Company had accumulated losses of Lek (2,798,805,448) (2022:Lek 4,229,847,937), which are highly attributed to the start-up phase. During 2013, the Company completed the investment and construction phase and started the production and sale of electricity.

Management believes that the Company will be able to generate profits in the future and its ability to continue as going concern will not be impaired. Therefore, the Company has prepared these financial statements on the going concern basis.

e) New standards, interpretations and amendments effective in the current period

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2023.

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- International Tax Reform-Pillar Two Model Rules-Amendments to IAS 12(effective date 23 May 2023).

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Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

f) Standards issued but not yet effective and not early adopted.

A number of new standards are effective for annual periods beginning after January 1, 2022 and their early application is permitted; The amended standards and the following interpretations are not expected to have a significant impact on the Company's financial statements.

- Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2024),
- Lease Liability in a sale and Leaseback -Amendments to 16 (effective for annual periods beginning on or after 1 January 2024),
- Supplier Finance Agreements -Amendments to IAS 7 and IFRS 7 (effective for annual periods beginning on or after 1 January 2024),Lack of Exchangeability-Amendments to IAS 21 (effective for annual periods beginning on or after 1 January 2025),
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Available for optional adoption/effective date deferred indefinitely).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Company's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Uncertainty in judgments

Impairment of non- financial assets

Impairment losses are recognized in the amount for which the carrying value of the asset or the cash generating unit exceeds the recoverable amount. When determining the recoverable amount, the Management evaluates expected prices and cash flows from each cash generating unit and determines an appropriate interest rate when calculating the present value of such cash flows.

Useful life of depreciable and amortizable assets

Management regularly reviews the useful lives of depreciable and amortizable assets as at the statement of financial position date. Management estimates that the determined useful life of assets represents the expected usefulness (utility) of assets. The carrying values of such assets are analysed in Note 7 and 8. However, the factual results may differ due to the technological obsolescence or other factors.

Impairment of financial assets

Impairment of trade and other receivables

Company calculates impairment for trade and other receivables based on estimated losses resulting from the inability of customers to make required payments. The estimation is based on the ageing of account receivables balance and historical write-off experience, customer credit-worthiness and changes in customer payment terms when evaluating the adequacy of the impairment loss for doubtful accounts. These involve assumptions about future customer behaviour and the resulting future cash collections. If the financial condition of customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

Inventories

Inventories are initially recognised at cost, which consists of cost of purchase plus direct costs like transport and parking during transport, excise tax, cost of quality analysis on import and custom agency fee.

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Inventories are subsequently recorded at the lower of cost and net realizable value. When determining the net realizable value, management takes into account the most objective evidence / data available at the making the estimates are taken.

Net realisable value is estimated as the selling price in the normal course of activity less necessary expenses for finishing and selling the goods.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Foreign currency transactions

Transactions denominated in foreign currencies have been translated into Albanian Lek (ALL) at the exchange rate at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Albanian Lek (ALL) at the Bank of Albania exchange rate on the last day of the reporting period. All gains and losses resulting from foreign currency translation or exchange are included in the statement of comprehensive income as financial income or expenses in the period in which they arose.

Official exchange rates for major currencies for the translation of the balance sheet items denominated in foreign currencies were as follows (in ALL):

	<u>31 December 2023</u>	<u>31 December 2022</u>
1 EUR	103.88	114.23

b) Intangible assets

(i) Service concession arrangements

The Company recognises an intangible asset arising from a service concession arrangement when it has a right to sell the electricity generated by the concession infrastructure. This is not an unconditional right to receive cash, as it is dependent on the quantity of electricity generated by the hydro power plant. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at cost.

(ii) Subsequent expenditure

Subsequent to initial recognition, the intangible asset is measured at amortised cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses, if any.

(iii) Amortisation

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Company is able to use the infrastructure to the end of the concession period. Amortisation is calculated using the straight-line method and is recognised in profit or loss. The estimated useful life for the concession period as at 31 December 2014 is 29 years.

c) Property and equipment

(i) Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation (see below) and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour (if involved), any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs related to the acquisition, construction or productions of qualifying assets. Capital expenses occurred during the

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Property and equipment (continued)

(ii) Recognition and measurement (continued)

construction of the asset, are capitalized in “Work in progress” and transferred in the respective assets category when the construction will end. The asset will be amortized according to the category that will be classified.

When parts of an item have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount, and are recognised net within other income in profit or loss.

(i) Subsequent costs

The cost of replacing part of an item is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured with accurately. Ongoing maintenance costs of long-lived assets are recognized in the statement of performance as incurred.

(ii) Depreciation

Depreciation of tangible assets is calculated using the residual value method, for the current and comparative period, with rates as follows:

	2023: In %	2022: In %
• Other tangible asstes	20%-25%	20%-25%

Useful lives, depreciation methods and residual values, unless immaterial, are reassessed at the reporting date. Land and work in progress are not depreciated.

d) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business less costs of termination and selling expenses. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

e) Financial instruments

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The Company initially recognizes trade and other receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit and loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial instruments of the Company comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income (in profit or loss) and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Recoverable amount is the higher of fair value less costs to sell 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. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

In respect of other assets, an impairment loss is reversed if there is an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

g) Shareholder's equity

Shareholders' equity consists of cash contributed by the Company's founders. Shareholders' equity is carried at the translated LEK amount of the foreign currency received, using the exchange rate at the date of transaction.

h) Provisions for risks

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Revenue

Revenues are recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible returns can be estimated reliably, there is no continuing management involvement with the sold electricity, and the amount of revenue can be measured reliably. Revenues are measured net of returns, trade discounts and volume compensations. For sales of electricity, the transfer usually occurs when the actual quantity of energy is injected into the transmission network and is measured at the delivery point. Compensations received and paid based on the Off-Take agreement with FTL are recognised as described in Note 1.

j) Employee benefits

Compulsory social security contributions

The Company makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The Government of Albania is responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan. The Company's contributions to the pension plan are charged to profit or loss as incurred.

k) Operating expenses

Operating expenses are recognized when incurred.

l) Financial income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance expenses comprise interest expense, bank charges and foreign currency losses.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

m) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current income tax applicable is calculated at 15 % (2022: 15%) on the taxable profit.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events.

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Commitments and contingencies

Contingent liabilities are not recognized in the financial statements. They are 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 financial position date and a reasonable estimate of the amount of the resulting loss can be made.

o) Related party transactions

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

p) Events after the reporting period

Post-year-end events that provide additional information about a company's position at the 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.

5. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- market risk
- liquidity risk
- credit risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

- Market risk

Market risk is the risk of loss that results from changes in market prices, foreign exchange rates, interest rates and equity prices.

The level of market risk to which the Company is exposed at a point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the Company's physical assets and contracts that the Company has entered into. Management sets limits on the value of risk that may be accepted, which is monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

(i) Foreign exchange risk

Most of the Company's transactions are incurred in EUR and LEK currency. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. As borrowings are denominated in EUR, and operation conducted in Lek, there is a risk of foreign currency mismatches. As the reporting currency is Lek, the management assess that the foreign exchange risk might be an issue for the Company. The Company receives income in the same currency as the Debt payable and therefore it reduces the risk of losses from exchange rates. The positions are monitored on a regular basis.

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

*(Amounts in Lek, unless otherwise stated)***5. FINANCIAL RISK MANAGEMENT (CONTINUED)***(i) Foreign exchange risk (continued)*

The following significant exchange rates were applied during the period:

	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
Lek / EUR	108.75	114.93	103.88	114.23

The Company's exposure to foreign exchange risks as of 31 December 2023 and 2022 was as follows:

	31.Dec.23	Euro	Lek	Total
		(amounts translated in Lek)		
Financial assets				
Cash and cash equivalents		3,669,264	2,410,957	6,080,221
Trade receivables		521,614,149	-	521,614,149
Restricted cash and deposits with banks		-	3,010,750	3,010,750
Other assets		1,579,014,548	62,347,567	1,641,362,115
		2,104,297,961	67,769,274	2,172,067,235
Financial liabilities				
Trade and other payables		9,665,479	241,933,774	251,599,253
Borrowings		8,360,832,616	-	8,360,832,616
		8,370,498,095	241,933,774	8,612,431,869
Net exposure 31 December 2023		(6,266,200,134)	(174,164,500)	(6,440,364,634)

	1.Dec.22	Euro	Lek	Total
		(amounts translated in Lek)		
Financial assets				
Cash and cash equivalents		47,901,641	8,747,100	56,648,741
Trade receivables		345,107,023	-	345,107,023
Restricted cash and deposits with banks		-	23,429,289	23,429,289
Other assets		1,054,967,637	51,021,157	1,105,988,795
		1,447,976,301	83,197,546	1,531,173,848
Financial liabilities				
Trade and other payables		14,948,396	198,161,283	213,109,679
Borrowings		9,995,429,019	-	9,995,429,019
		10,010,377,415	198,161,283	10,208,538,698
Net exposure 31 December 2022		(8,562,401,114)	(114,963,737)	(8,677,364,850)

In managing currency risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer-term, however, permanent changes in foreign exchange rates might have an impact on profit. A strengthening or weakening of Lek, as indicated below against Euro would have respectively decreased or increased equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances of 10% that the Company considered to be reasonably possible at the end of the reporting period.

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

*(Amounts in Lek, unless otherwise stated)***5. FINANCIAL RISK MANAGEMENT (CONTINUED)***(i) Foreign exchange risk (continued)*

<i>In Lek</i>	31.Dec.23		31.Dec.22	
	Increase	Decrease	Increase	Decrease
EUR	(626,620,013)	626,620,013	(856,240,111)	856,240,111

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company has two long term debts the interest rate of which is fixed, therefore a change in the market interest rates would not affect the capital and the profit/(loss) before taxes of the Company.

(iii) Capital management

The Company's policy is to maintain a strong capital base, in order to maintain the credibility of investors, creditors and the market and to maintain future business developments. There were no changes in the Company's method regarding capital management during the year.

- Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is exposed to daily calls in its available cash resources, mainly in order to settle its operating expenses incurred on its ordinary activity and to repay back its two long term debts.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and severe conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company expects to meet its liabilities through the use of expected cash flows resulting from operations.

The following table shows the discounted cash flows on the Company's financial liabilities on the basis of their earliest possible contractual maturity or expected cash flow.

31.Dec.23	Up to 3 months	Between 3 months and 1 year	More than 1 year	Total
Financial liabilities				
Trade and other payables	205,604,275	-	45,994,978	251,599,253
Borrowings	206,252,615	545,370,000	7,609,210,000	8,360,832,616
Total financial liabilities	653,790,664	545,370,000	7,655,204,978	8,612,431,869

31.Dec.22	Up to 3 months	Between 3 months and 1 year	More than 1 year	Total
Financial liabilities				
Trade and other payables	126,280,300	-	86,829,379	213,109,679
Borrowings	228,764,018	599,707,500	9,166,957,500	9,995,429,019
Total financial liabilities	355,044,318	599,707,500	9,253,786,879	10,208,538,698

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

- Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable and cash at bank.

The individual exposure limits of each party are constantly monitored and reported regularly to management. The Company limits its exposure to credit risk from trade receivables by setting a payment period of one month. The Company's exposure as of 31 December 2023 and 2022 is as follows:

Classes of financial assets - carrying amounts:	2023	2022
Cash and cash equivalents	6,080,221	56,648,741
Restricted cash and deposits with banks	3,010,750	23,429,289
Other assets	1,641,362,115	1,054,967,637
Trade receivables	521,614,149	345,107,023
Total	2,172,067,235	1,480,152,690

Management expects to collect all receivables that are outstanding at year end. Receivables are mainly due from contractual partners. Trade receivables as at 31 December 2023 according to their due date are as follows:

	2023	%	2022	%
Less than 1 month	-	0%	-	0%
1 to 3 months	521,614,149	100.00%	345,107,023	100%
Above 3 months	-	0%	-	0%
Total	521,614,149	100.00%	345,107,023	100.00%

6. FAIR VALUE ESTIMATION

Fair value represents the amount at which an asset could be replaced or a liability settled on an arm's length basis. Fair values have been based on management assumptions according to the profile of the asset and liability base.

(i) Financial instruments presented at fair value

The financial assets measured according to the fair value 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 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.

(ii) Financial assets that are not presented at fair value

The following table summarises the carrying amounts and fair values to those financial assets and liabilities that are not presented on Statement of financial position at their fair value.

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

*(Amounts in Lek, unless otherwise stated)***6. FAIR VALUE ESTIMATION (CONTINUED)**

	Carrying value		Fair value	
	2023	2022	2023	2022
Trade receivables and other assets	2,162,976,264	1,451,095,818	2,162,976,264	1,451,095,818
Restricted cash and deposits	3,010,750	23,429,289	3,010,750	23,429,289
Cash and cash equivalents	6,080,221	56,648,741	6,080,221	56,648,741
Total assets	2,172,067,235	1,531,173,848	2,172,067,235	1,531,173,848
Trade payables and other liabilities	251,599,253	213,109,679	251,599,253	213,109,679
Borrowings	8,360,832,616	9,995,429,019	8,360,832,616	9,995,429,019
Total liabilities	8,612,431,869	10,208,538,698	8,612,431,869	10,208,538,698

Trade and other receivables

Trade and other receivables are carried at amortised cost, minus the provisions for impairment. Their fair value corresponds to their carrying value due to their short term maturity.

Cash and cash equivalents

The fair value of monetary assets that includes cash equivalents is considered to approximate their respective carrying values due to their maturity of less than 3 months.

Trade, other payables and debt payable

Carrying value of trade and loans payable approximates their fair value.

(iii) Financial assets by categories

The carrying amounts of the Company's financial assets and liabilities as recognised at the financial position date of the reporting periods under review may also be categorised as follows:

	Financial instruments at amortised cost	Financial assets at fair value through profit or loss	Debt instruments/ Equity instruments at fair value through OCI	Total
31 December 2023				
Assets according to the statement of financial position				
Trade receivables and other assets	2,162,976,264	-	-	2,162,976,264
Restricted cash and deposits	3,010,750	-	-	3,010,750
Cash and cash equivalents	6,080,221	-	-	6,080,221
	2,172,067,235	-	-	2,172,067,235

	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Liabilities according to the statement of financial position			
Trade payables and other liabilities	-	251,599,253	251,599,253
Borrowings	-	8,360,832,616	8,360,832,616
	-	8,612,431,869	8,612,431,869

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

*(Amounts in Lek, unless otherwise stated)***6. FAIR VALUE ESTIMATION (CONTINUED)****(iii) Financial assets by categories (continued)**

	Debt instruments at amortised cost	Financial assets at fair value through profit or loss	Debt instruments/ Equity instruments at fair value through OCI	Total
31 December 2022				
Assets according to the statement of financial position				
Trade receivables and other assets	1,451,095,818	-	-	1,451,095,818
Restricted cash and deposits	23,429,289	-	-	23,429,289
Cash and cash equivalents	56,648,741	-	-	56,648,741
	1,531,173,848	-	-	1,531,173,848

	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Liabilities according to the statement of financial position			
Trade payables and other liabilities	-	213,109,679	213,109,679
Borrowings	-	9,995,429,019	9,995,429,019
	-	10,208,538,698	10,208,538,698

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

*(Amounts in Lek, unless otherwise stated)***7. PROPERTY, PLANT AND EQUIPMENT**

	Electrical installations	Vehicles	Office equipment	IT equipment	Total
Cost					
At 1 January 2022	-	60,242,959	31,128,569	6,613,072	97,534,600
Additions	-	3,047,125	525,590	535,047	4,107,762
Disposals	-	-	-	-	-
At 31 December 2022	-	63,290,084	31,654,159	6,698,119	101,642,362
Additions	-	-	-	124,178	124,178
Disposals	-	(1,500,000)	-	-	(1,500,000)
At 31 December 2023	-	61,790,084	31,654,159	6,822,297	100,266,540
Accumulated depreciation and impairment					
At 1 January 2022	-	(45,092,284)	(24,666,369)	(669,645)	(70,428,298)
Disposals	-	-	-	-	-
Depreciation charge for the year	-	(2,867,621)	(1,729,158)	(1,267,711)	(5,864,490)
At 31 December 2022	-	(47,959,905)	(26,395,527)	(1,937,356)	(76,292,788)
Disposals	-	1,308,629	-	-	1,308,629
Depreciation charge for the year	-	(2,983,635)	(1,184,521)	(1,081,919)	(5,250,075)
At 31 December 2023	-	(49,634,911)	(27,580,048)	(3,019,275)	(80,234,234)
Carrying amounts					
At 1 January 2022	-	15,150,675	6,462,200	5,493,427	27,106,302
At 31 December 2022	-	15,330,179	5,258,632	4,760,763	25,349,574
At 31 December 2023	-	12,155,173	4,074,111	3,803,022	20,032,306

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

*(Amounts in Lek, unless otherwise stated)***8. INTANGIBLE ASSETS**

	Total
Cost	
At 1 January 2022	30,302,466,251
Disposals	-
Additions	-
At 31 December 2022	30,302,466,251
Disposals	-
Additions	-
At 31 December 2023	30,302,466,251
Accumulated depreciation and impairment	
At 1 January 2022	(13,370,709,859)
Depreciation charge for the year	(775,648,779)
Depreciation on disposal of intangible assets	-
At 31 December 2022	(14,146,358,638)
Depreciation charge for the year	(775,648,779)
Depreciation on disposal of intangible assets	-
At 31 December 2023	(14,992,007,417)
Carrying amounts	
At 1 January 2022	16,931,756,392
At 31 December 2022	16,156,107,613
At 31 December 2023	15,380,458,834

In prior years, the decreasing expectations for Energji Ashta Shpk with respect to income from the sale of certified emission reductions (CERs) were indicative of impairment, as were the investment expenditure and the country risk impacting the discount rate. As at 31 December 2013, the accumulated impairment losses for property, plant and equipment amounted to Lek 5,919,292,889. Following the impairment test performed in 2015, no further impairment was identified and recognised.

The determination of the value in use was based on constant output over the planning period corresponding to the average energy capability. The planning period included the expected term of the hydropower plant concession. The value in use was determined using the Discounted Cash Flow method at a discount rate before taxes for the planning period in the range of 8.75% to 9.75% p.a.

The key valuation assumptions underlying the determination of the recoverable amount include the electricity price forecasts for the period following the end of the electricity purchase agreement with KESH/FTL (note 1) and the discount rate. The prices for the first 15 years after commissioning were determined based on the electricity purchase agreement with KESH/FTL; electricity prices for the subsequent years were determined based on an internally developed energy market model.

As at 31 December 2023 and 31 December 2022 the Management concluded that no further impairment was identified and no further impairment was recognized.

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

9. INVENTORIES

Inventories comprise of various spare parts and consumables that are necessary for the maintenance of the Plant.

Inventories can be further split as follows:

	31.Dec.23	31.Dec.22
Oils and lubricants	276,886	797,043
Chemicals	1,062,129	1,862,457
Electrical materials & electric spare parts	73,554,113	47,902,012
Spares & metal materials	44,729,584	63,189,998
Total	<u>119,622,712</u>	<u>113,751,510</u>

10. PREPAYMENTS AND DEFERRED EXPENSES

Prepayments are further split as follows:

	31.Dec.23	31.Dec.22
Prepayments of fees from Related Parties	6,946,975	8,859,172
Total	<u>6,946,975</u>	<u>8,859,172</u>

11. TRADE RECEIVABLES

	31.Dec.23	31.Dec.22
Trade receivables	521,614,149	345,107,023
Total	<u>521,614,149</u>	<u>345,107,023</u>

Trade receivables are composed only from the client FTL, which is the sole purchaser of the energy as explained in Note 1. FTL has provided the Company with a Letter of Guarantee issued from CREDINS Bank in the amount of EUR 3.45 million valid until 18.09.2024 in connection with the Purchaser's obligation under the Off-Take Agreement.

12. OTHER ASSETS

	31.Dec.23	31.Dec.22
Prepayments to corporate income tax	62,279,767	51,021,157
Receivables from related parties	1,579,019,348	1,054,967,638
Employee prepayments	67,800	-
Total	<u>1,641,362,115</u>	<u>1,105,988,795</u>

Receivables from related parties represent the balance of an account with VERBUND Finanzierungsservice GmbH. This account is used to collect or settle payments with third parties or related parties, and to receive funds from the owners. These balances are denominated in EUR. Interest on the Cleaning Account Balance accrues at the applicable interest rate, which is on arm's length terms. Such interest rate is determined on the basis of the group directive of the VERBUND-group in its current version's shall inform Ashta of any amendments to this group directive.

Prepayments to corporate income tax related to tax litigation that are currently in ongoing process.

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

12. OTHER ASSETS (CONTINUED)

Interest is calculated on the basis of the actual number of days elapsed and a year of 360 days (act/360) in arrears and shall be payable at the end of each interest period (currently, one calendar month)

Prepayments to corporate income tax represent payments for income tax made during the previous years 2018-2019, periods where the Company does not result with taxable profit due to open court cases, these amount of prepayments has not been taken in consideration as reduction of the corporate income tax of the year 2022, because that amount is used as deduction of liabilities of tax assessment made by the tax authorities, assessment nr 1854/12 dated on 01.12.2022.

13. RESTRICTED CASH AND DEPOSITS

	31.Dec.23	31.Dec.22
Deposit as Guarantee for Transmission System Operator		18,250,000
Guarantee for The Large Taxpayers Directorate	-	2,168,539
Accrued interest	10,750	10,750
Deposit	3,000,000	3,000,000
Total	3,010,750	23,429,289

On 23.05.2023, two Letters of Guarantee were issued by Raiffeisen Bank in the values of Euro 1,600,000 valid until 04.07.2023 and Euro 4,800,000 valid until 04.07.2025, as guarantee for Ministry of Energy and Infrastructure.

In order to provide to Raiffeisen Bank appropriate guarantee both EVN AG and VERBUND AG, related parties of the Company, have issued Corporate Guarantee toward the bank in the amounts of EUR 3.2 million each.

Restricted deposit as guarantee on December 31, 2022 in the amount of 18,250,000 Lek, includes amounts held at Raiffeisen Bank Albania for a period longer than three months for OST sh.a. pursuant to Electricity Market Participation Agreement.

With the commencement of the operations of the Albanian Power Exchange - ALPEX on April 12, 2023, the Temporary Rules of the Albanian Electricity Market, approved by the Decision of the ERE Board no. 139 dated August 15, 2016, have been repealed. Henceforth, the establishment of a bank guarantee is no longer an obligation for the Company.

During the year 2018 the Company was subject to tax audit for the period 2012-2016 for corporate income tax as well as for the period April 2014-June 2017 for taxes and other fees. Bank guarantee at the amount of 2,168,539 Lek as at December 31, 2022 consists of amounts held at Raiffeisen Bank Albania in favour of the Large Taxpayers Directorate, in view of the tax appeal process the Company is involved in.

14. CASH AND CASH EQUIVALENTS

	31.Dec.23	31.Dec.22
Current accounts		
<i>In Lek</i>	2,410,957	8,747,100
<i>In Euro</i>	3,669,264	47,901,641
Total	6,080,221	56,648,741

15. SHARE CAPITAL

The paid-up capital is registered in Albanian Lek. Energji Ashta Sh.p.k. was originally owned by VERBUND-International GmbH. Certain subsequent transfers of share capital, were based on share purchase agreements as follows:

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

15. SHARE CAPITAL (CONTINUED)

- 20 April 2010: 50% of the share capital was transferred from VERBUND-International GmbH to EVN A.G;
- 13 January 2011: 50% of the share capital was transferred from VERBUND-International GmbH to VERBUND Hydro Power GmbH (former AG);
- 6 September 2011: VERBUND Hydro Power GmbH (former AG) and EVN AG transferred 100% of the shares to Ashta Beteiligungsverwaltung GmbH (the 'Parent'), whilst the latest remains under ownership of these companies or 100% owned daughter companies.
- 20 October 2015: Based on the Shareholder's Decision, the share capital of the Company was increased through cash contribution for an amount of Lek 1,677,720,000

The shareholding structure is as follows:

	31.Dec.23		31.Dec.22	
	Total in Lek	%	Total in Lek	%
Ashta Beteiligungsverwaltung GmbH	12,460,176,500	100	12,460,176,500	100

16. LONG TERM BORROWINGS

	31.Dec.23	31.Dec.22
VERBUND AG	4,180,416,308	4,997,714,509
Raiffeisen Bank International	4,180,416,308	4,997,714,509
Total	8,360,832,616	9,995,429,018
Short-term portion	751,622,616	828,471,519
Long-term portion	7,609,210,000	9,166,957,500

Borrowings were obtained from the following parties:

On 15.11.2019 VERBUND AG and Raiffeisen Bank International AG disbursed two borrowings to the Company of each EUR 6 million as the first drawing of a credit line of EUR 46.25 million. The second drawings were disbursed on 19.04. 2022 in the amount of each EUR 40.25 million. These lending has been used for the refinancing of the last redemption rates of the loans from the year 2013. The credit terms include a fixed interest rate of 1.39 % p.a., quarterly redemptions from April 2022 and a credit period until October 2029. The borrowings are guaranteed by the Shareholders of the Parent company and for such guarantees they charge the Company a fee of 2% on the outstanding amount.

17. TRADE PAYABLES AND OTHER LIABILITIES

	31.Dec.23	31.Dec.22
Accrued expenses	80,929,085	82,941,022
Income tax obligations	118,930,436	60,553,634
VAT Payable	50,446,272	58,836,865
Payables to suppliers	125,579	9,651,637
Social insurances payable	787,381	749,432
Personal income tax payable	380,500	377,089
Other tax and liabilities	-	-
Total	251,599,253	213,109,679

Energji Ashta Sh.p.k.

Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

18. REVENUE

	Year ended 31.Dec.23	Year ended 31.Dec.22
Sale of energy	2,275,124,640	1,941,608,934
Electricity compensations received	-	524,542
Other revenue	58,185	-
Total	2,275,182,825	1,942,133,476

Revenues from the sale of energy derive from the License for Electricity Generation. The revenues for the two other licenses of the Qualified Electricity Supplier and Electricity Trading are zero.

19. PERSONEL COSTS

	Year ended 31.Dec.23	Year ended 31.Dec.22
Salaries and bonus	47,902,020	50,528,093
Statutory social security	5,725,074	5,558,226
Other personnel expenses	1,605,110	2,284,478
Total	55,232,204	58,370,797

Other personnel expenses are related to voluntary health insurance as at 31 December 2023. The Company employees 21 staff (2022: 22).

20. OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

	Year ended 31.Dec.23	Year ended 31.Dec.22
Professional consulting services	34,979,360	28,288,223
Maintenance and repair	28,451,669	21,601,177
Expenses for insurance	16,738,350	17,857,335
Taxes and other tariffs	6,733,951	6,301,127
IT related services	5,703,298	7,297,791
Vehicle related expenses	3,866,072	4,516,085
Post and telephone expenses	2,729,346	3,170,927
Office supplies	2,648,392	1,999,240
Audit fee	938,780	913,840
Transport costs	1,408,398	1,260,677
Training expenses	1,510,150	835,864
Sponsorship	261,700	228,700
Travel and per diem expenses	2,874,417	2,581,856
Doctor's fee & medicines	673,883	1,074,035
Bank charges	128,759	465,908
Representation expenses	1,399,537	486,006
Rent expenses	250,765	489,077
Penalties	43,933	130,676
Provisions for tax audits	-	71,037,944
Other	10,235,124	11,573,513
Total	121,575,885	182,110,001

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Notes to the financial statements for the year ending 31 December 2023

*(Amounts in Lek, unless otherwise stated)***21. INTEREST AND OTHER CHARGES**

	Year ended 31.Dec.23	Year ended 31.Dec.22
Interest expenses for debt (VERBUND AG)	165,995,659	228,901,825
Interest expenses for debt (Raiffeisen Bank International)	165,995,659	228,901,825
Total	331,991,318	457,803,650

22. FOREIGN EXCHANGE GAIN/ (LOSS), NET

The amount is detailed as follows:

	Year ended 31.Dec.23	Year ended 31.Dec.22
Foreign exchange gain (reporting date)	14,597,470	(1,040,660,649)
Foreign exchange gain (from redemption)	82,535,640	1,609,679,071
Foreign exchange gain (realization)	8,061,330	8,573,624
Foreign exchange gain	105,194,440	577,592,044
Foreign exchange loss (reporting date)	652,894,516	(49,091,558)
Foreign exchange loss (realization)	(45,522,426)	(18,077,254)
Foreign exchange loss	607,372,090	(67,168,813)
Foreign exchange gain/(loss), net	712,566,530	510,423,232

23. INCOME TAX EXPENSE

The Company determines taxation at the end of the year in accordance with the Albanian tax legislation. In 2023 Albanian corporate tax rate was equal to 15% of taxable result (2022: 15%). The following is a reconciliation of income taxes calculated at the applicable tax rate to income tax expense:

	Year ended 31.Dec.23	Year ended 31.Dec.22
Profit/(loss) before income tax	1,683,700,217	929,653,643
Total non-deductible expenses	2,696,559	1,582,579
Transport expenses	991,389	737,197
Sponsorship	261,700	228,700
Representative expenses	1,399,537	486,006
Penalties	43,933	130,676-
Any kind of expenditure, the amount of which is not documented	-	-
<i>Adjustments for temporary differences</i>	-	-
Additional tax expenditure	(193,004,560)	(193,004,560)
Changes in provisions	(2,011,918)	74,232,044
Accumulated Losses	-	259,609,369
Income tax at 15% (2022: 15%)	223,707,045	82,928,151

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Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

23. INCOME TAX EXPENSE (CONTINUED)

Based on the Albanian legislation tax losses can be carried forward up to three consecutive years. Tax losses carried forward at 31 December 2023 and 2022 are detailed as follows:

	Year ended 31.Dec.23	Year ended 31.Dec.22
Tax losses from 2019 (expire in 2022)	-	-
Tax losses from 2020 used in 2022	-	259,609,369
Tax losses from 2020 (expire in 2023)	-	(259,609,369)
Tax losses from 2019 used in 2021	-	-
Tax losses from 2020 used in 2021	-	-
Total	-	-

Income tax expense for 2023 and 2022 is composed as follows:

	31.Dec.23	31.Dec.22
Income tax expense	223,707,045	82,928,151
Deferred tax expense	28,950,683	28,950,684
Total	252,657,728	111,878,835

The deferred tax asset recognised is attributable to the following items:

	31.Dec.23	31.Dec.22
Intangible asset		
Balance sheet	15,380,458,832	16,156,107,613
Tax base	19,211,624,567	20,180,277,907
Temporary difference	3,831,165,734	4,024,170,294
Deferred tax asset (at 15% tax rate)	574,674,860	603,625,544

24. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has no material commitments subcontracted at the date of the statement of financial position that are not reflected in the financial statements.

Tax liabilities

The Company's tax books and records for the financial year ended 31 December 2023 were not audited by the local tax authorities. Consequentially, the Company's tax liabilities may not be considered finalized.

Litigations

In the normal course of the business the Company is presented with legal claims and litigations; For the fiscal year 2022, the Company has created a provision for the tax liabilities raised by the tax audit of 2019 ,2020 and 2021 and this tax audit has been opposed by the company through a court process. The Company's management is of the opinion that no material losses will be incurred in relation to legal claims outstanding at 31 December 2023.

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Notes to the financial statements for the year ending 31 December 2023

(Amounts in Lek, unless otherwise stated)

25. RELATED PARTY TRANSACTIONS

The Company received financing from related parties and guarantees for the borrowings received (see notes 9 and 13). Expenses from and liabilities to related parties were as follows:

	31.Dec.23	31.Dec.22
<i>Assets</i>		
Verbund Finanzierungsservice GmbH	1,579,019,348	1,054,967,638
	1,579,019,348	1,054,967,638
<i>Liabilities</i>		
VERBUND AG (Debt)	4,180,416,308	4,997,714,509
	4,180,416,308	4,997,714,509
<i>Operating expenses</i>		
VERBUND Hydro Power GmbH	6,514,793	7,226,281
VERBUND Services GmbH	16,964,928	9,098,253
VERBUND Finanzierungsservice GmbH	248,484	247,235
	23,728,205	16,571,769
<i>Finance expenses</i>		
	Year ended	Year ended
	2023	2022
VERBUND AG	66,302,314	111,602,514
EVN AG	98,741,323	116,219,185
VERBUND Hydro Power GmbH	91,701,105	107,363,142
VERBUND AG	7,040,218	8,856,043
	263,784,960	344,040,884

26. EVENTS AFTER THE REPORTING DATE

There are no significant subsequent events after the reporting date which requires adjustment or disclosure in these financial statements.