Terna Energy Trading sh.p.k

Financial statements as at and

for the year ended 31 December 2019

with the Independent Auditor Report

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of company : " TERNA ENERGY TRADING " SH.P.K
Adress : Rruga e Kavajes, Ndertesa nr.223,Hyrja 32 Tirana

Opinion

We have audited the financial statements of **"Terna Energy Trading" shpk Albania,** , which comprise the statement of financial position as of 31 December 2019 , the statement of comprehensive income , statement of changes in equity and statement of cash flows for the year then ended , and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion , the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described , below , in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of 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 managment and those charged with governance for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with IASs 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.

EURO - AUDIT
CONSULTANCY.CO Sh.p.k.
TIRANE - ALBANIA

AUDITUES LIGJOR
Armand HASKO
Nr. 299

As part of an audit in accordance with IASs, 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- 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.

Date 31/03/2020

Auditor company
Euro – Audit Consultancy, co. sh.p.k.
Statutory auditor
Paqësor Qato

EURO - AUDIT
CONSULTANCY.CO Sh.p.k.
TIRANE - ALBANIA

Statutory auditor
Armand Hasko

AUDITUES LIGJOR
Armand HASKO
Nr. 299

	Notes	31 December 2019	31 December 2018
ASSETS:			
Current assets:			
Receivable from shareholder	7	500,000	500,000
VAT receivable	7	287,268	101,040
Cash and cash equivalents	6	4,032,462	55,775
		4,819,730	**656,815**
Total assets		**4,819,730**	**656,815**
Equity:			
Share capital	8	500,000	500,000
Accumulated Loss		(1,638,700)	(20,023)
Loss for the year	17	(3,465,254)	(1,618,677)
		(4,603,954)	**(1,138,700)**
Current liabilities:			
Payable to employees	9	113,200	53,200
Trade and other payables	10	451,028	384,694
Payable to Terna S.A-Branch in Albania	11	1,339,470	1,357,620
Total current liabilities		**1,903,698**	**1,795,514**
Non- current liabilities:			
Loan from Terna Overseas Limited	12	7,519,986	-
Total non-current liabilities		**7,519,986**	-
Total liabilities		**9,423,684**	**1,795,514**
Total equity and liabilities		**4,819,730**	**656,815**

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of these financial statements set out on pages 5-13.

These financial statements have been approved by Terna Energy Trading sh.pk on 26 / 03 / 2020.

Dimitrios Milionis
Administrator

Rezarta Xhakollari
Accountant

TeTRA Shpk
TERNA ENERGY TRADING
NUIS: L72426010K
Rruga e Kavajes,Ndertesa Nr.223
Hyrja Nr.32,Njesia administrative
Nr.7, 1023, Tirane, Shqiperi

	Notes	For the year ended 31 December 2019	For the year ended 31 December 2018
Revenue	13	-	-
Personnel expenses	14	(1,947,264)	(910,814)
Other operating expenses (rent)	15	(206,352)	(82,011)
Consultancy and other services	15	(912,227)	(503,696)
General and administrative expenses	15	(162,134)	(120,563)
Bank charges	15	(22,833)	(27,329)
Licensing Fee from ERE	15	(40,000)	
Loss from operating activity		**(3,290,810)**	**(1,644,414)**
Loss before tax		**(3,290,810)**	**(1,644,414)**
Financial income	16	199,471	40,941
Financial expenses	16	(373,915)	(15,204)
Net finance income		**(174,444)**	**25,737**
Income tax expense		-	-
Loss for the year		**(3,465,254)**	**(1,618,677)**

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5-13.

	Share Capital	Retained Earnings	Total
As at 26 December 2017	**500,000**	**-**	**500,000**
Loss for the year	-	(20,023)	**(20,023)**
As at 31 December 2017	**500,000**	**(20,023)**	**479,977**
Profit for the year	-	(1,618,677)	**(1,618,677)**
As at 31 December 2018	**500,000**	**(1,638,700)**	**(1,138,700)**
Loss for the year	**-**	(3,465,254)	**(3,465,254)**
As at 31 December 2019	**500,000**	**(5,103,954)**	**(4,603,954)**

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 pages 5-13.

	For the year ended 31 December 2019	**For the year ended 31 December 2018**
Loss of the year	**(3,465,254)**	**(1,618,677)**
Adjustments for:		
Depreciation	-	-
Net book value of write off of assets	-	-
Interest income	-	-
Interest expenses	-	-
Net loss /(gain) from sale of assets	-	-
Cash flows from operating activities	**(3,465,254)**	**(1,618,677)**
Changes in working capital:		
Decrease/ (increase) in other receivables (VAT)	(186,228)	(100,320)
Increase/ (decrease) in payables to employees	60,000	42,199
Increase/ (decrease) in other payables	48,183	1,732,572
Cash used in operations	**(3,543,299)**	**55,775**
Corporate income tax paid	-	-
Interest paid	-	-
Net cash flows from operating activities	**(3,543,299)**	**55,775**
Cash flows from investing activities		
Sale of assets	-	-
Net cash inflow from investing activities	**-**	**-**
Cash flows from financing activities		-
Long term loans	7,519,986	-
Net cash inflow from financing activities	**7,519,986**	**-**
Net decrease in cash and cash equivalents	3,976,687	55,775
Cash and cash equivalents at the beginning of the year	55,775	-
Cash and cash equivalents at the end of the year	**4,032,462**	**55,775**

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 pages 5-13.

1. General information

Terna Energy Trading sh.pk ("the Company") has been registered as a company in Albania on 26 December 2017. The sole shareholder is Terna Energy Trading EOOD. Terna Energy Trading EOOD is a subsidiary, wholly owned by Terna Energy Trading Ltd, with headquarter in Nicosia, Cyprus.

The company is involved in energy trading and providing intermediary services to group companies for purchasing capacity rights in Albania.

The legal representative of the Company is Mr Dimitrios Milionis.

The registered address of the Company is Kavaja Street, Building No. 223, Entry 32, 1023, Administrative Unit Nr. 7. The number of employees at the end of 2019 is 2 (2018:1)

2. Summary of significant accounting policies

This note contains a list of significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in other notes. These policies have been consistently applied to all reported years, unless otherwise specified.

Basis of preparation

Compliance with IFRS

Based on Law no. 25, dated May 10, 2018 “On Accounting and Financial Statements”, the Company's financial statements have been prepared based on International Financial Reporting Standards (IFRS).

Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

2.1 Foreign currency transaction

Functional and presentation of currency

These financial statements are presented in Albanian LEK (ALL), which is the functional currency of the Company.

Transactions in foreign currency and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at yearend, are generally recognized in profit or loss.

Significant exchange rates in terms of ALL for 1 unit of the foreign currency at the reporting date are presented below:

	Average rate	Reporting rate	Average rate	Reporting rate
	2019	**2019**	**2018**	**2018**
ALL / Euro	123	121.77	127.58	123.42

2.2 Financial Instruments

A financial instrument is recognized if the Company becomes part of a contractual provision on the instrument.

Financial assets

The Company classifies financial assets into the following measurement categories: FVTPL, FVOCI and AC. Fair value through profit or loss (FVTPL) instruments are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. After the initial recognition, an Expected Credit Loss (ECL) allowance is recognised for financial assets measured at Amortised Cost (AC) and investments in debt instruments measured at Fair Value through Other Comprehensive Income (FVOCI), resulting in an immediate accounting loss.

2. Summary of significant accounting policies (continued)

2.2 Financial Instruments (continued)

Financial assets

The subsequent classification and measurement of debt financial assets depends on: (i) the Company business model of asset portfolio management and (ii) the cash flow characteristics of the asset.

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include breach of contract terms such as delay in payments or events of default, insolvency and bankruptcy.

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial Liabilities

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

2.3 Impairment

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be reasonable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Non-financial assets that suffered an impairment are reviewed for possible reversal of impairment at the end of each reporting period.

2.4 Capital

Capital is recognized in the financial statements at nominal value.

2.5 Financial Income and Expenses

Finance income comprises interest income on funds invested in bank deposits and foreign currency gains. Interest income is recognized as it accrues, using the effective interest method. Finance expenses comprise interest expense on bank accounts. Interest expenses are recognized in profit or loss using the effective interest method.

2.6 Employee Benefits

Compulsory social security contributions

Based on the Albanian legislation, the Company performs periodic payments on behalf of employees for the part legally entitled to be paid by the Company and its employees to contribute for the mandatory pensions according to the local legislation. The costs incurred on behalf of the Company are charged to the profit or loss as incurred.

2.7 Provisions

A provision is recognized 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 reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be reduced to settle the obligation, the provision is reversed.

2.8 Leases

Accounting policies after January 1, 2019

IFRS 16, Leases (issued on January 13, 2016 and effective for annual periods beginning on or after January 1, 2019) sets out the principles for recognizing, measuring, presenting and disclosing leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

The Company has followed the exceptions provided on the Standard in respect of short-term and low-value rents. Leases of the Company are considered by management as low value leases and consequently the application of IFRS 16 had no impact on the Company.

Accounting policies before January 1, 2019

Leases in which a significant portion of the risks and rewards of ownership are held by the lessor are classified as operating leases. Payments made on operating leases (net of landlord incentives) are recognized in profit or loss in the relevant period.

2.9 New standards and interpretations, still not adopted

The following amended standards entered into force on January 1, 2019, but have not had any material impact on the Company:

- IFRIC 23 "Uncertainty on Income Tax Treatments" (published June 7, 2017 and effective for annual periods beginning on or after January 1, 2019).
- Amendments to IFRS 9: "Prepayment Features with Negative Compensation" (published on 12 October and effective for annual periods starting on or after 01.01.2019)
- Amendments to IAS 19: "Plan Amendment, Curtailment or Settlement" (published on 7 February 2018 and effective for annual periods starting on or after 01.01.2019)
- Amendments to IAS 28: "Long-term Interests in Associates and Joint Ventures" (published on 12 October 2017 and effective for annual periods starting on or after 01.01.2019)
- Annual Improvements to IFRSs – 2015-2017 Cycle (published on 12 December 2017 and effective for annual periods starting on or after 01.01.2019)

2.10 New standards and interpretations, still not adopted

The following new Standards, Interpretations and amendments of IFRSs are still not effective for the fiscal periods that starts on or from 1 January 2019 and therefore are not adopted for the preparation of these Financial Statements. The Company plans to adopt the following amendments when they enter into force. Amendments that can have a significant impact for the Company, but are not expected to have a significant impact on the Financial Statements of the latter are presented below:

- IFRS 17 "Insurance Contracts" (published on 18 May 2017 and effective for annual periods starting on or after 01.01.2021)
- Revision of the Conceptual Framework for Financial Reporting (published on 29 March 2018 and effective for annual periods starting on or after 01.01.2020)
- Amendments to IFRS 3: "Definition of a Business" (published on 22 October 2018 and effective for annual periods starting on or after 01.01.2020)
- Amendments to IAS 1 and IAS 8: "Definition of Material" (published on 31 October 2018 and effective for annual periods starting on or after 01.01.2020)

3. Evaluation and Judgements

The preparation of financial statements requires Management to exercise judgment, evaluation and assumptions that affect the process of applying the accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual outcome may vary depending on these estimates.

Evaluations and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, as well as in the future periods affected. Information about the most significant areas of estimates, uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the relevant notes to the financial statements.

3.1 Going Concern

These financial statements have been prepared on a going concern basis, as the Company's management believes that the Company will continue at least its administrative and judicial activities during the following year.

4. Fair value estimation

Fair value is the amount for which a financial instrument can be exchanged in an ordinary transaction between well-informed parties, which is not a compulsory sale or liquidation and is best represented by a quoted price in an active market.

The fair value of financial instruments that are not tradable in an active market (none of the financial assets of the Company are traded in an active market) is determined using valuation techniques.

(a) Financial assets held at amortized cost
The fair value of all financial assets is assumed to approximate their carrying amount as they are short-term instruments.
(b) Financial liabilities held at amortized cost
The fair value of payables and short-term loans is assumed to approximate to their carrying amount as they are short-term instruments.

5. Financial risk management

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

- credit risk
- liquidity risk

This note provides information on the Company's exposure to each of the above-mentioned risks, the objectives, policies and processes it uses for risk assessment and management and the way it manages capital. Such quantitative notes are included throughout the financial statements.
Management has the responsibility to develop procedures for managing the risks of the Company.

Risk management policies are created by the Company to analyse and identify the risks faced and to determine the methods of control and the setting of limits under which risk indicators will be monitored. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the activities of the Company.

The main financial instruments of the Company consist of cash at the bank, trade receivable, trade payable, short-term loans and other liabilities.

(i) Credit risk

There is a credit risk when the parties fail to meet their obligations regarding the payment of receivables. The Company assesses the quality of trade receivable from related parties for which no impairment has been recognized, of satisfactory quality.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations at the time of their maturity. The Company's approach is to provide as much liquidity as possible to always have sufficient liquid funds to meet its obligations within normal agreement terms, without causing unacceptable losses or risking the reputation of the Company.

6. Cash and cash equivalents

Current assets	**31 December 2019**	**31 December 2018**
In ALL	449,667	28,559
In EUR	3,582,795	27,216
Total	**4,032,462**	**55,775**

The company has two bank accounts, in ALL and in Euro, at Raiffeisen Bank.

7. Receivables

	31 December 2019	**31 December 2018**
Receivable from shareholder	500,000	500,000
VAT receivable	287,268	101,040
Total	**787,268**	**601,040**

Receivable from shareholder consist of the amount of subscribed capital which has not yet been paid into the bank account of the Company.

8. Share Capital

The company is owned by GP Energy EOOD. The capital has a nominal value of 500,000 ALL. Capital Contributions are detailed below:

	Date of shareholder decision	Number of quotes	Nominal Value in ALL
Initial Capital	26 December 2017	1	500,000
31 December 2019		**1**	**500,000**

9. Due to employees

	31 December 2019	31 December 2018
Due to employees	113,200	53,200
Total	**113,200**	**53,200**

10. Trade and other payables

	31 December 2019	31 December 2018
Pricewaterhouse Coopers Audit shpk	58,450	59,242
Social and health contributions	38,795	18,146
Ardjana Mediu	-	5,120
Personal Income Tax	10,277	4,555
Withholding Tax	40,413	-
Other	303,093	297,631
Total	**451,028**	**384,694**

11. Payable to Terna S.A Branch in Albania

Current Liabilities:	31 December 2019	31 December 2018
Payable to Terna S.A Branch in Albania	1,339,470	1,357,620
Total	**1,339,470**	**1,357,620**

12. Long term loan

The Company has received a loan from Terna Energy Overseas Limited. This loan is recognized as a long term liability, as follows:

	31 December 2019	31 December 2018
Loan from Terna Energy Overseas Limited	7,519,986	-
Total	**7,519,986**	**-**

13. Revenue

The company did not provide any revenue from operating activity during 2019.

14. Personnel Expenses

	31 December 2019	31 December 2018
Salary expenses	1,668,607	780,475
Social and Heal Contributions	278,657	130,339
Total	**1,947,264**	**910,814**

The company has one administrator and the compensation during 2019 - has been 910,814 ALL and consists of salary and social and health insurance expenses (2018: 910,814 ALL).

15. Other operating expenses

	31 December 2019	31 December 2018
Office rent	206,352	82,011
Legal and notary expenses	508,575	108,191
Financial services	403,652	395,505
General and administrative services	162,134	120,563
Bank charges	22,833	27,329
License Fee from ERE	40,000	
	1,343,546	**733,600**

16. Net financial income/expense

	31 December 2019	31 December 2018
Financial Income	199,471	40,941
Financial expenses	(373,915)	(15,204)
Net financial income/expense	**(174,444)**	**25,737**

Financial expenses consist of interest expenses in the amount of ALL 213,786 (2018: 0), as well as exchange losses in the amount of ALL 160,129 (2018: ALL 15,204).

17. Loss for the Year

In accordance with Albanian legislation, the applicable tax rate for 2019 is 5% (2018: 15%).

Tax returns are submitted annually but revenue and expenditure declared for tax purposes are not final until the tax authorities review the taxpayer's statements and issue the final assessment.

	2019	2018
Loss for the year	(3,465,254)	(1,618,677)
Nondeductible expenses	37,868	7,946
Fiscal Loss	(3,427,386)	(1,626,623)
Total	**(3,427,386)**	**(1,626,623)**

For the year ended December 31, 2019, the Company resulted in a fiscal loss of ALL (3,427,386).

18. Related Parties

At the reporting date, the following balances correspond to related party transactions:

	31 December 2019	**31 December 2018**
Loan from Terna Energy Overseas Limited	7,306,200	-
Interest payable	213,786	
Total	**7,519,986**	**-**

Interest expense during 2019 are ALL 213,786 and are reflected in note 16, under financial expense.

19. Events after the reporting period

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