Public Disclosure Authorized

OPEN JOINT STOCK HOLDING COMPANY "BARQI TOJIK"

Consolidated financial statements
for the year ended December 31, 2018

and independent auditors' report

OJSHC “BARQI TOJIK”

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OJSHC "BARQI TOJIK"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of the Open Joint Stock Holding Company "Barqi Tojik" (the "Company") and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at December 31, 2018, the results of its operations, cash flows and changes in capital for the year then ended, in accordance with International Financial Reporting Standards (the "IFRS").

In preparing the consolidated financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal control, throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation, accounting standards of the Republic of Tajikistan and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended December 31, 2018 were approved and authorized for issue on June 28, 2019 by the Management of the Group.

On behalf of the Management:

Ismoilzoda M.
Chairman

June 28, 2019
Dushanbe,
Republic of Tajikistan

Dustmukhamedov A.
Chief Accountant

June 28, 2019
Dushanbe,
Republic of Tajikistan

MOORE STEPHENS

MOORE STEPHENS KSC ASSURANCE SRL
175 Calea Floreasca, Floreasca Tower
Building, 13th floor, District 1
Bucharest – Romania
T +4 0374 490 074
F +4 0374 094 191
E info@moorestephens-ksc.ro
www.moorestephens-ksc.ro

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OPEN JOINT STOCK HOLDING COMPANY "BARQI TOJIK"

Qualified opinion

[1] We have audited the accompanying financial statements of **OPEN JOINT STOCK HOLDING COMPANY "BARQI TOJIK" (the "Company") and its subsidiary companies (the "Group")**, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

[2] In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the issues mentioned in paragraphs [3] and [4] the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as issued by the IASB.

Basis for qualified opinion

[3] The Group has not adopted appropriate internal control procedures related to the recognition of the revenue and related receivables from its customers to assess the completeness of income and whether the revenue and receivables are recorded when the services have been provided. We were not able to perform alternative procedures in order to satisfy ourselves regarding the completeness and occurrence of revenue and the completeness of the receivables from clients. The effect of this departure from the International Financial Reporting Standards on the Group's financial position has not been determined.

[4] The Group have entered in to a share-part construction contract for HPP "Sangtuda-2" which was not entirely complied by the Group and consequently penalties should have been accrued amounting to US$74 mln (equivalent of TJS 695 mln. somoni). The respective penalties have not been included in the accrued expenses as the management of the Group is currently under negotiation and expects to waive the penalty clause from the contract. We have not received sufficient and appropriate audit evidence regarding the stage of negotiation and whether the respective penalties and claims could be waived. In case such waiver will not be obtained other payables and accrued expenses should have increased by USD 74 mln (TJS 695 mln) and tax expenses for car road tax, shareholders' equity would have been increased by TJS 7 mln and reduced by TJS 702 mln, respectively.

[5] 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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements, 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 qualified opinion.

MOORE STEPHENS KSC ASSURANCE S.R.L.

Material Uncertainly Related to Going Concern

[6] We draw attention to Note 3 "Going Concern" in the financial statements, which indicates that the Group incurred a net loss of 3,342,519 thousand somoni during the year ended December 31, 2018 and, as of that date, the Group's current liabilities exceeded its current assets by 11,498,718 thousand somoni. As stated in Note 3 these events or conditions, along with other matters as set forth in Note 3 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Unless the Group continues to receive financial support from its shareholder and other related parties as well as from financial institutions, it may be unable to continue operating in foreseeable future. A letter of financial support on behalf of the shareholder signed by State Committee on Investment and Property Management of the Republic of Tajikistan dated on April 22, 2019 stated that continuous financial support will be granted to the Group to continue operating under going concern and meet its obligations as they become due. Our opinion is not modified in respect of this matter.

Emphasis of matters

[7] Without further qualifying our opinion we draw attention to the following matters:

a. We draw attention to Note 2 par. "Changes in energy sector" to the consolidated financial statements which describes the uncertainties in the industry. The whole energy system of the Republic of Tajikistan is experiencing significant restructuring and reform. Such reforms may cause material influence to the consolidated financial statements which cannot be estimated reliably.

b. We draw attention to Notes 6 to the consolidated financial statements. The Group was granted temporary permission to operate the new thermal electric power plant Dushanbe-2 (the "TPP Dushanbe-2"). The Group recognizes all income and expenses related to the use and operations of TPP Dushanbe-2.

d. We draw attention to Notes 5 and 6 to the consolidated financial statements which describes that the impairment test of property, plant and equipment was conducted considering several assumptions and limiting conditions. In the event that any of these assumptions used will not be materialized or the limiting conditions will be realized then impairment loss might be necessary to be recorded in the financial statements to reflect the revised assumptions. As at date of this report, company is in process of concluding an evaluation agreement for Property Plant and equipment.

Our opinion is not modified in respect of these matters.

Key Audit Matters

[8] Key audit matters are those matters that, in our professional judgment of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section and *Material Uncertainly Related to Going Concern* section, we have not determined other key audit matters to be communicated in our report.

Other matter

[9] This report, including the opinion, has been prepared for and only for the Group's members as a body. To the fullest extent, permitted by the Law, our audit work has been undertaken so that we might report those matters that we are required to report in an Auditor's Report and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purposes or to any other person to whose knowledge this report may come to.

SOCIETATEA C... MOORE STEPHENS KSC ASSURANCE S.R.L. BUCURESTI

Responsibilities of management and those charged with governance for the consolidated financial statements

[10] Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

[13] 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.

[14] We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Moore Stephens KSC

MOORE STEPHENS KSC ASSURANCE SRL
Bucharest, Romania

June 28, 2019

SOCIETATEA ... MOORE STEPHENS KSC ASSURANCE S.R.L. BUCURESTI

OJSHC “BARQI TOJIK”

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
(in thousands Tajik somoni)

	Notes	December 31, 2018	December 31, 2017
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	6	14,151,665	12,491,055
Intangible assets		12,148	510
Non-current advances paid	7	621,062	695,546
Non-current investments	8	182,401	182,401
Other non-current assets		120	109
TOTAL NON-CURRENT ASSETS		14,967,396	13,369,621
CURRENT ASSETS:			
Inventories	9	557,397	593,426
Trade and other accounts receivable	10	645,456	544,053
Current advances paid	11	187,793	109,740
Taxes paid in advance		156	59
Cash and cash equivalents	12	140,264	61,469
TOTAL CURRENT ASSETS		1,531,066	1,308,747
TOTAL ASSETS		16,498,462	14,678,368
EQUITY AND LIABILITIES:			
EQUITY:			
Share capital	13	653,279	505,216
Revaluation reserve on property, plant and equipment	6	3,976,247	4,218,496
Reserve capital		24,302	24,302
Accumulated deficit		(13,744,877)	(10,732,338)
TOTAL EQUITY		(9,091,049)	(5,984,324)
NON-CURRENT LIABILITIES:			
Non-current borrowed funds	14	10,785,615	9,370,565
Non-current portion of deferred income	15	868,633	511,183
Non-current trade and other accounts payable	17	905,479	912,149
TOTAL NON-CURRENT LIABILITIES		12,559,727	10,793,897

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018 (CONTINUED)

(in thousands Tajik somoni)

	Notes	December 31, 2018	December 31, 2017
CURRENT LIABILITIES:			
Current borrowed funds	14	6,052,002	4,762,596
Current portion of deferred income	15	7,902	6,503
Trade and other accounts payable	17	3,016,687	2,138,724
Advances received	18	128,075	106,649
Taxes payable	19	48,285	65,674
Other payables and accrued expenses	20	3,776,833	2,788,649
TOTAL CURRENT LIABILITIES		13,029,784	9,868,795
TOTAL LIABILITIES		25,589,511	20,662,692
TOTAL EQUITY AND LIABILITIES		16,498,462	14,678,368

On behalf of the Management:

Ismoilzoda M.
Chairman

June 28, 2019
Dushanbe,
Republic of Tajikistan

Dustmukhamedov A.
Chief Accountant

June 28, 2019
Dushanbe,
Republic of Tajikistan

The notes on pages 12-64 form an integral part of the consolidated financial statements.
The Independent Auditors' Report is on pages 3-5.

OJSHC "BARQI TOJIK"

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands Tajik somoni)

	Notes	Year ended December 31, 2018	Year ended December 31, 2017
Revenue	22	2,684,735	2,113,647
Cost of sales	23	(1,956,333)	(1,514,288)
GROSS PROFIT		728,402	599,359
Selling expenses	24	(935,406)	(590,383)
General and administrative expenses	25	(95,886)	(120,488)
Net loss on foreign exchange operations		(1,228,563)	(1,958,820)
Financial gain	26	(11,523)	10,439
Financial loss	26	(1,752,612)	(1,319,885)
Other non-operating loss, net	27	(15,323)	(1,303)
LOSS BEFORE INCOME TAX		(3,310,911)	(3,381,081)
Income tax expenses	21	(31,608)	(25,086)
NET OPERATING LOSS		(3,342,519)	(3,406,167)
Other comprehensive income/(loss)		-	11
TOTAL COMPREHENSIVE LOSS		(3,342,519)	(3,406,156)

On behalf of the Management:

Ismoilzoda M.
Chairman

June 28, 2019
Dushanbe,
Republic of Tajikistan

Dustmukhamedov A.
Chief Accountant

June 28, 2019
Dushanbe,
Republic of Tajikistan

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OJSHC "BARQI TOJIK"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands Tajik somoni)

	Notes	Share capital	Reserve capital	Revaluation reserve on property, plant and equipment	Accumulated deficit	Foreign exchange differences from translation of foreign subsidiaries operations	Total equity
Balance at December 31, 2016	13	410,101	24,302	4,472,284	(7,514,603)	(11)	(2,607,927)
Amortization of revaluation of property, plant and equipment		-	-	(253,788)	253,788	-	-
Correction of errors		65,356	-	-	(65,356)	-	-
Effect of foreign exchange differences from translation of foreign subsidiaries		-	-	-		11	11
Increase of share capital		29,759	-	-	-	-	29,759
Loss for the year		-	-	-	(3,406,167)	-	(3,406,167)
Balance at December 31, 2017	13	505,216	24,302	4,218,496	(10,732,338)	-	(5,984,324)
The effect of the introduction of IFRS 9		-	-	-	97,375	-	97,375
Balance at January 1, 2018		505,216	24,302	4,218,496	(10,634,963)	-	(5,886,949)
Amortization of revaluation of property, plant and equipment		-	-	(242,249)	242,249	-	-
Correction of errors		9,644	-	-	(9,644)	-	-
Increase of charter capital		138,419	-	-	-	-	138,419
Loss for the year		-	-	-	(3,342,519)	-	(3,342,519)
Balance at December 31, 2018	13	653,279	24,302	4,976,247	(13,744,877)	-	(9,091,049)

On behalf of the Management:

Ismoilzoda M.
Chairman

June 28, 2019, Dushanbe, Republic of Tajikistan

Dustmukhamedov A.
Chief Accountant

June 28, 2019, Dushanbe, Republic of Tajikistan

The notes on pages 12-64 form an integral part of the consolidated financial statements. The Independent Auditors' Report is on pages .3-5

OJSHC “BARQI TOJIK”

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands Tajik somoni)

	Notes	Year ended December 31, 2018	Year ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Proceeds from energy sales		2,634,931	2,107,238
Other income from operations		5,742	7,210
Total cash inflow from operating activity		2,640,673	2,114,448
Inventory purchase		(960,929)	(497,169)
Electricity purchase		(408,173)	(420,983)
Payroll and social tax		(293,076)	(293,349)
Payment for services		(83,280)	(81,315)
Interest payment		(446,269)	(450,005)
Income tax payment		(32,528)	(19,834)
Other taxes payment		(373,698)	(360,757)
Other operating payments		(22,807)	(27,312)
Total cash outflow from operating activity		(2,620,761)	(2,150,724)
Net cash outflow from operating activities		(19,912)	(36,276)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(38,234)	(225,806)
Net cash outflow from investing activities		(38,234)	(225,806)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		358,790	1,730,360
Principal payments of loans received		(262,734)	(1,487,009)
Front-end commission paid		-	(2,821)
Net cash inflow from financing activities		96,056	240,530

(in thousands Tajik somoni)

	Notes	Year ended December 31, 2018	Year ended December 31, 2017
NET INCREASE /(DECREASE) IN CASH AND CASH		77,734	(21,552)
Effect of exchange rate changes on the balance of cash held in foreign currencies		1,061	6,243
CASH AND CASH EQUIVALENTS, at the beginning of the year	12	61,469	76,778
CASH AND CASH EQUIVALENTS, at the end of the year	12	140,264	61,469

For the years ended December 31, 2018 and 2017, the Group has acquired and constructed fixed assets which were financed by loans and grants to the amount of 1,177,101 thousand somoni and 774,675, thousand somoni, respectively. Payments for these fixed assets were settled directly to suppliers and contractors of the Group without the cash flows on the Group's accounts.

The Group has a current account with the Ministry of Finance of the Republic of Tajikistan which is used for payments for electricity made by budget companies. These funds are used for the repayment of loans received from the Ministry of Finance of the Republic of Tajikistan and liabilities for taxes payment to budget. The consolidated statement of cash flows does not include movement of cash in this account. For the years ended December 31, 2018 and 2017 the Group repaid borrowings for the amount of 128,824 thousand somoni and 68,558 thousand somoni, respectively, via the current account in the Ministry of Finance of the Republic of Tajikistan. Also in 2018 year was offset trade accounts receivable of Group and liabilities of taxes for the amount 3,605 thousand somoni.

In 2018 share capital of the Group was increased by 138,409 thousand somoni in accordance with the Decrees of the Government of the Republic of Tajikistan # 375 dated August 01, 2018 (50,663 thousand somoni) and #605,606 dated December 29, 2018 (40,560 thousand somoni and 47,195 thousand somoni). The increase was made through offsetting accounts payable for electricity of the Group to OJSC "Sangtuda HPP-1" and tax liabilities of the OJSC "Sangtuda HPP-1" to the state budget of the Republic of Tajikistan.

On behalf of the Management:

Ismoilzoda M.
Chairman

June 28, 2019
Dushanbe,
Republic of Tajikistan

Dustmukhamedov A.
Chief Accountant

June 28, 2019
Dushanbe,
Republic of Tajikistan

The notes on pages 12-64 form an integral part of the consolidated financial statements.
The Independent Auditors' Report is on pages 3-5.

1. GENERAL INFORMATION

Open Joint Stock Holding Company "Barqi Tojik" (the "Company") was registered in the Ministry of Justice of the Republic of Tajikistan on June 3, 1999. The Company and its subsidiaries (the "Group") carry out its activity in the Republic of Tajikistan. The Group is a joint stock company and was established in accordance with the legislation of the Republic of Tajikistan.

The Group's principal activity is generation, transmission and distribution of electricity and thermal energy in the Republic of Tajikistan. The Group also sells electricity to neighboring countries due to its operational needs. Electricity is generated on five hydropower stations, which are the structural units of the Group. Operating activity of the Group is regulated by the Law of the Republic of Tajikistan "On natural monopolies" (the "Law"), as the Group is the dominant in the generation and supply of electricity in the Republic of Tajikistan. In accordance with the Law tariffs of the Group must be coordinated and agreed with the Agency for regulation of natural monopolies of the Republic of Tajikistan (the "Agency"). The main customers are SUE "Tajik Aluminum Company", OJSC "Rogun HPS", OJSC "Tojikcement", OJSC "Tojikhimprom", OJSC "Pamir Energy Company", «Da Afghanistan Breshna Sherkat», LLC, Uzbekenergo JSC and the population of the Republic of Tajikistan.

The Group's Head office is located in the Republic of Tajikistan, Dushanbe, I. Somoni ave, 64.

As at December 31, 2018 and 2017, the sole shareholder of the Group was the Government of the Republic of Tajikistan. Ultimate control of the Group is carried out by the Government of the Republic of Tajikistan.

Property of the Group was formed from the assets which were on the books of Open Joint Stock Holding Company "Barqi Tojik". The Group owns the property transferred by its founder, except the property of legal entities listed as joint stock companies, state enterprises, organizations and institutions which are under the management of the Group.

Open Joint Stock Holding Company "Barqi Tojik" is the holder of shares of joint stock companies, granted by the Government of the Republic of Tajikistan, operating in the energy sector and performs the right of possession, use and disposition of property, businesses and institutions were provided for management in accordance with the article 232 of the Civil Code of the Republic of Tajikistan.

The property of the Group includes the following branches and representative offices:

Nurek branch	Nurek hydropower station
Baipaza branch	Baipaza hydropower station
Varzob branch	Cascade of Varzob hydropower stations
Vakhsh branch	Cascade of Vakhsh hydropower stations
Kairakkum branch	Kairakkum hydropower station
Dushanbe branch	Central electric networks
Sogd branch	Sogd electric networks
Khujand branch	Khujand electric networks
Rasht branch	Rasht electric networks
Kurgan Tube branch	Kurgan Tube city electric networks
Chkalovsk branch	Chkalovsk city electric networks

The following organizations are under control of the Group:

OJSC "Shabakahoi Barqii Istaravshan"
OJSC "Shabakahoi Barqii Panjakent"
OJSC 'Shabakahoi Barqii Shahri Dushanbe"
OJSC "Shabakahoi Barqii Shahri Kulob"
OJSC "Shabakahoi Barqii Kulob"
OJSC "Shabakahoi Barqii Tursunzoda"
OJSC "Shabakahoi Barqii Janubi"
OJSC "Dushanbinskaya Heat Station"
OJSC "Shabakahoi Barqii Yavon"
OJSC "Remontno-Mekhanicheskiy Zavod"
OJSC "Shabakahoi Barqii Dangara"
OJSC "Shabakahoi Barqii Isfara"
OJSC "Shabakahoi Barqii Norak"
OJSC "Yavanskaya Heat Station"
DPMTO "Tajikenergosnab"

OJSHC "Barqi Tojik" has a subsidiary – Limited Liability Company "Barq – Servis". The main activity of the subsidiary is providing electrical equipment repair and maintenance services. The share of OJSHC "Barqi Tojik" in the authorized capital of the subsidiary is 100%..

As at December 31, 2018 and 2017 the Group had 11,230 and 11,178 employees, respectively.

The consolidated financial statements were authorized for issue by the Group's management on June 28, 2019.

2. OPERATING ENVIRONMENT

In contrast to the more developed markets emerging markets, such as the Republic of Tajikistan, are exposed to various risks, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in countries and the countries' economy in general.

Laws and regulations affecting businesses in the Republic of Tajikistan continue to change rapidly. Tax, currency and customs legislation within the country are subject to varying interpretations, and other legal and fiscal difficulties leading to the challenges faced by the Group. The future economic direction of the Republic of Tajikistan is largely dependent on economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory developments.

These consolidated financial statements do not include any adjustments that would have been required due resolution of the uncertainty in the future. Possible adjustments may be made to the consolidated statements in that period in which necessity of their reflection will become evident, and it will be possible to estimate their numerical values.

Changes in the energy sector

Industry as well as the other systems of the Republic of Tajikistan is experiencing significant restructuring and reform (the process of transformation of the country with a planned economy into a state with a market economy), and the future direction of reforms and results are unknown at this time. Potential reforms in tariff policy, repayment of debt by state enterprises, reorganization of the market of gross sale and implementation of measures to promote competition in gross sale market, can have a significant impact on companies in this industry.
According to the Decree of the Government of the Republic of Tajikistan # 234 of April 28, 2018 "On the reorganization of joint-stock companies" the following organizations will be merged into OJSC

"Transmission electrical grids" and OJSC "Distribution electric grids ":

#	Name of the organizations on the basis of whichnew companies are created
1	OJSC "Shabakahoi Barqii Istaravshan"
2	OJSC "Shabakahoi Barqii Panjakent"
3	OJSC "Shabakahoi Barqii Kulob"
4	OJSC 'Shabakahoi Barqii Shahri Dushanbe"
5	OJSC "Shabakahoi Barqii Tursunzoda"
6	OJSC "Shabakahoi Barqii Shahri Kulob"
7	OJSC "Shabakahoi Barqii Janubi"
8	OJSC "Shabakahoi Barqii Yavon"
9	OJSC "Shabakahoi Barqii Dangara"
10	OJSC "Shabakahoi Barqii Isfara"

Due to uncertainty regarding the ongoing changes in the industry, management is unable to assess the impact of reforms on the present and future financial position of the Group. However, Management believes that these uncertainties will not have a significant impact on operational activity compared to other companies operating in the Republic of Tajikistan.

3. PRESENTATION OF FINANCIAL STATEMENTS

Report on compliance

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

Use of estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB").

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

Due to insignificant effect from the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

Going concern

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue its operation for the foreseeable future. This basis may not be appropriate as the Group incurred a loss of 3,342,519 and 3,406,167 thousand somoni for the year ended December 31, 2018, 2017 and, as at that date its current liabilities exceeded its current assets by 11,498,718 thousand somoni, and accumulated deficit amounted to 13,744,877 thousand somoni. These factors indicate the existence of a material uncertainty, which may cast significant doubt about the Group’s ability to continue as a going concern.

The management and shareholder have the intention to further develop the Group’s activities in the Republic of Tajikistan. The Group is owned by the Government of the Republic of Tajikistan and generates, distributes and sells the major share of electricity consumed in the Republic of Tajikistan. Electric power generated by the Group remains the key element for the economy of the Republic of Tajikistan, as well as fundamental for the Government’s social and economic objectives.

Based on above, the Management believes that the going concern assumption is appropriate for the Group due to continuing financing from the sole shareholder of the Group.

Functional and presentation currency

The functional currency of each of the Group’s consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Group and the Group’s presentation currency is national currency of the Republic of Tajikistan Tajik somoni (the “somoni”).

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), which are recorded as branches for the purpose of the consolidated financial statements as at December 31, 2018 and 2017.

The subsidiary is consolidated from the date of acquisition, which is the date when control is obtained over the subsidiary, and discontinued from consolidation when the control is lost. The consolidated financial statements of the subsidiaries are prepared for the same period as for the Company, based on consistently applied accounting policy for all branches of the Company.

Changes in ownership of subsidiaries without loss of control are treated as transactions equity. If the Group loses control over the subsidiary the following is reflected:

- discontinues recognition of assets and liabilities of the subsidiary;
- records the fair value of proceeds received in exchange;
- records fair value of outstanding portion of the investment;
- records gains or losses in statement of comprehensive income;
- reclassifies interest of the Company in subsidiaries, recognised in other comprehensive income before to statement of comprehensive income or retained earnings in accordance with particular requirements.

The consolidated financial statements of the subsidiaries are prepared for the same period as the Group, based on consistently applied accounting policy for all branches of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(in thousand Tajik somoni, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES

Electricity sales

Revenue from sale of electricity is recognised when customers on post-paid metering are billed for the power consumed. The billing is done for each monthly billing cycle based on the units consumed as read on the customers' electricity meters and the approved customer tariffs.

Foreign currency transactions

The functional currency of the Group and the Group's presentation currency is national currency of the Republic of Tajikistan Tajik somoni (the "somoni"). The Group applies direct method of consolidation, and upon disposal of foreign investment performs the reclassification of gains and losses from translation differences to the consolidated statement of profit or loss and other comprehensive income.

	December 31, 2018	December 31, 2017
Somoni / USD	9.4296	8.8190
Somoni / EUR	10.8007	10.5766
Somoni / Russian rouble	0.1356	0.1524
Somoni / XDR	13.1146	12.5292

Transactions in foreign currency are initially recognised by the companies of the Group in functional currency at exchange rate at the date of transaction.

Monetary assets and liabilities denominated in foreign currency are revalued at spot rate of functional currency effective at the reporting date.

All foreign currency differences are transferred to the consolidated statement of profit or loss and other comprehensive income.

Non-monetary assets and liabilities are cognized at historical cost in foreign currency denominated at exchange rate effective at the date of initial transaction.

Assets and liabilities in foreign investments are translated to somoni at the exchange rate effective at the reporting date, and statement of comprehensive income of such subsidiaries, are recorded at the rate effective on the date of transaction. Translation differences arising from such treatment are recorded in other comprehensive income. Upon disposal of foreign investment the component of other comprehensive income, related to this foreign investment are transferred to the consolidated statement of profit or loss and other comprehensive income.

Revenue recognition

Revenue is recognized only if inflow of economic benefits to the Group is probable, and if revenue can be reliably measured, despite of the timing of cash proceeds. The revenue is measured at fair value of the consideration received or receivable, in accordance with contractual terms of payments.

Interest income

Interest income and expense on financial instruments held at amortised cost, and interest bearing financial assets, classified as Other assets are recognised based on effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. The interest income is added to finance income in the consolidated statement of profit or loss and other comprehensive income.

Taxes

Current income tax

Current tax assets and liabilities for the current period as measured at recoverable from or payable to taxation authorities. The tax rates and tax legislation applied for calculations are the rates and legislation accepted or factually adopted as at reporting date in the countries, where the Group performs its activities and has taxable income.

Deferred taxes

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences, except for cases when:

- Deferred tax liabilities arising at initial recording of goodwill, asset or liability as a result of transaction other than business combination, and at transaction date does not impact accounting profit nor taxable profit or loss;
- Taxable temporary differences in respect of investments in subsidiaries, associates, as well as interest in joint ventures, and if possible to control distribution by periods related to recoverability of temporary differences, and there is high probability of recovery of temporary difference in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax incentives and unused tax losses, to the extent of highly probable upcoming profits, against which the recovery of deductible temporary differences, unused tax incentives and unused tax losses will take place, except for:

- Deferred tax asset, related to temporary difference as a result of initial recognition of asset or liability arising from business combinations, which at the date of transaction does not impact accounting nor tax profit or losses;
- Deductible temporary differences as a result of investments in subsidiaries, associated companies, as well as interest in joint venture where the deferred tax assets are recognised to the extend of highly probable upcoming profits, against which the recovery of deductible temporary differences, unused tax incentives and unused tax losses will take place.

The book value of deferred tax assets is reviewed at each reporting date and decreased to the extent of sufficient profits, which will allow to use all or part of the deferred tax assets, are assessed as unlikely. Deferred tax assets not recognised in the statements are reviewed at each reporting date and are recognised to the extent, when there is high probability of upcoming profits, allowing to recover such tax assets.

Deferred tax assets and liabilities are valued at tax rates, which are expected to be applied in the period, when such asset will be recovered or liability settled at tax rates (tax regulation), which were accepted or factually adopted at the reporting date.

(in thousand Tajik somoni, unless otherwise stated)

Deferred tax, related to the components other than statement of comprehensive income, as also not recorded in statement of comprehensive income. The deferred taxes are recognised in accordance with underlying transactions or in as a component of other comprehensive income, or directly on equity.

Deferred tax assets and liabilities are offset only if there are legal right for offset of current income tax assets and liabilities, and deferred taxes are related to the same company and tax authority.

Property, plant and equipment

After initial recognition as an asset, property, plant and equipment are carried at revalued cost, being the fair value of the object on the date of revaluation less any subsequent accumulated depreciation and impairment losses.

The equipment is held at revalued amount less accumulated depreciation and/or accumulated loss from impairment, if any. This cost includes cost of replaced spare parts, as well as borrowing costs, in case of non-current construction projects, when certain criteria are met. When there is a need for significant component replacement within defined period the Group disposes the replaced component and recognizes new components in accordance with useful life and depreciation. Expenses related to major technical check are included to the cost of the asset, as replaced equipment, when related criteria are met. All other expenses for maintenance are included in the consolidated statement of profit or loss and other comprehensive income as incurred.

The buildings are held at revalued amount less accumulated depreciation and impairment losses.

Depreciation is charged on the carrying value of property, plant and equipment to write off assets over their useful life. Depreciation is charged at straight line method at the following rates:

Property, plant and equipment group	**Useful life (years)**
1. Buildings	3-98
2. Constructions	
- Transmission equipment	2-90
3. Machinery and equipment	
- Hydro turbines	5-50
- Electronic equipment	4-50
- Production equipment	3-75
4. Other fixed assets	
- Vehicles	3-25
- Office equipment	3-20
- Furniture and appliances	3-50
- Leasehold improvements	6-55
- Land improvements	6-50

In 2015, the useful life of property, plant and equipment were reconsidered and increased. Changes in depreciation accruals were made on perspective basis.
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss, and presented in the consolidated statement of comprehensive income for the period, when derecognition took place.

The useful life term and depreciation method are annually reassessed, and adjusted if needed.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost. Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired are recorded at cost less accumulated amortisation and accumulated impairment losses (if any). Internally generated intangible assets, except for development costs included to the cost of an asset are not capitalized, and related expenses included in the consolidated statement of comprehensive income in the period, when incurred.

The useful life of intangible assets can be definite or indefinite.

Intangible assets with definite useful life are amortised during the period of this period and subject for impairment assessment if such indicators exist. The period and amortisation method for all intangible asset with definite useful life are reassessed at least at each reporting date. Changes in estimated useful life or structure of inflow of future benefits inherent to the asset are added to the consolidated financial statements as changes in period and method of amortisation, depending on situation, and disclosed as changes in estimates. The amortisation expenses for intangible assets with definite useful life recognised in the consolidated statement of comprehensive income in the category, which relates to the function of the intangible asset.

Intangible assets with indefinite useful life are not amortised, rather tested separately for impairment on an annual basis. The useful life term of intangible assets with indefinite useful life is reviewed on an annual basis in order to determine whether it is reasonable to continue classify the asset as intangible asset with indefinite useful life. If it is not acceptable, the change in useful life of an asset is prospectively changed from indefinite to definite.

Gains and losses from disposal of intangible assets are measured as difference from proceeds and book value of the asset and recognised in the consolidated statement of comprehensive income at the date of disposal of use asset.

Patents and licenses

Patents are issued for the period of 10 years by the relevant state body with a right to prolong. License on right for intellectual property issued from 5-10 years, depending on type of license.

Licenses can be prolonged in the end of the term, if the Group will comply with preset conditions. Prolongation can be made for notional fee or free of charge. Therefore the useful life of these licenses is treated as indefinite.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group assesses whether there is any indication that fixed and intangible assets may be impaired. If any such indication exists evaluation is carried out for a possible reduction in the recoverable amount of assets (if any). If it is impossible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately as an expense, except where the relevant asset (land, buildings, or equipment) carried at a revalued amount. In this case the impairment loss is recognized as a reduction of revaluation of the respective fund.

If an impairment loss subsequently reverses, the carrying amount of an asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if the asset was not recognized an impairment loss (cash-generating unit) in prior years. Reversal of an impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

During write-off of a revalued property, plant and equipment, the amounts included in the revaluation reserve are transferred to retained earnings.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized as expenses, in the period when such expenses incurred. Borrowing costs include the payment for interest and other expenses, incurred by the Group in respect of borrowings.

Financial instruments

(a) Financial assets and liabilities recognition

A financial asset is any asset that is:

(a) cash;
(b) an equity instrument of another entity;
(c) a contractual right:
  (i) to receive cash or another financial asset from another entity; or
  (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
(d) a contract that will or may be settled in the entity's own equity instruments and is:

(i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity’s own equity instruments; or
(ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments. For this purpose the entity’s own equity instruments do not include puttable financial instruments classified as equity instruments hat impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments, or instruments that are contracts for the future receipt or delivery of the entity’s own equity instruments.

A financial liability is any liability that is:
(a) a contractual obligation:
(i) to deliver cash or another financial asset to another entity; or
(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
(b) a contract that will or may be settled in the entity’s own equity instruments and is:
(i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity’s own equity instruments; or
(ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity’s own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Also, for these purposes the entity’s own equity instruments do not include puttable financial instruments that are classified as equity instruments, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments, or instruments that are contracts for the future receipt or delivery of the entity’s own equity instruments.

Initial recognition and measurement

Group measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability except trade receivables.
However, if the fair value of the financial asset or financial liability at initial recognition differs from the transaction price (except trade receivables), an entity shall apply fair value at initial recognition when equals the transaction price, an entity shall consider factors specific to the transaction and to the asset or liability.

Despite the requirements above witch except trade receivables, at initial recognition, the Group measure trade receivables at their transaction price (as defined in IFRS 15) if the trade receivables do not contain a significant financing component in accordance with IFRS 15 (or when the entity applies the practical expedient in accordance with IFRS 15).
Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Financial assets of the Group includes the cash and current deposits, trade and other receivables, loans and other amounts receivables and unquoted financial instruments.

Subsequent measurement of financial assets

After initial recognition, Group measure a financial asset at:
(a) amortised cost;
(b) fair value through other comprehensive income; or
(c) fair value through profit or loss.

Subsequent measurement of financial liabilities

After initial recognition, the Group measure financial liability in accordance with its classification:

The Group classify all financial liabilities as subsequently measured at amortised cost, except for:

- (a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- (c) financial guarantee contracts. After initial recognition, an issuer of such a contract shall (unless paragraph (a) or (b) applies) subsequently measure it at the higher of:
  - (i) the amount of the loss allowance determined in accordance with Impairment criterias and
  - (ii) the amount initially recognised (financial assets except trade receivables) less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.
- (d) commitments to provide a loan at a below-market interest rate. An issuer of such a commitment shall (unless paragraph (a) applies) subsequently measure it at the higher of:
  - (i) the amount of the loss allowance determined in accordance with Impairment criterias of IFRS 9 and
  - (ii) the amount initially recognised (financial assets except trade receivables) less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.
- (e) contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognised in profit or loss.

Option to designate a financial liability at fair value through profit or loss:
The Group, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when permitted by IFRS 9, or when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel, for example, the entity's board of directors and chief executive officer.

Derecognition of financial assets

Group derecognise a financial asset when, and only when:

- (a) the contractual rights to the cash flows from the financial asset expire, or
- (b) it transfers the financial asset and the transfer qualifies for derecognition;

Group transfers a financial asset if, and only if, it either:

- (a) transfers the contractual rights to receive the cash flows of the financial asset, or
- (b) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions disclosed bellow.

Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), the entity treats the transaction as a transfer of a financial asset if, and only if, all of the following three conditions are met:

(a) The entity has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
(b) The entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.
(c) The entity has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 Statement of Cash Flows) during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

When the Group transfers a financial asset, it evalutes the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

(a) if the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.
(b) if the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group continue to recognise the financial asset.
(c) if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determine whether it has retained control of the financial asset. In this case:
    (i) if the Grop has not retained control, it derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.
    (ii) if the Group has retained control, it continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The transfer of risks and rewards is evaluated by comparing the Group's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. An group has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer (eg because the Group has sold a financial asset subject to an agreement to buy it back at a fixed price or the sale price plus a lender's return). An Group has transferred substantially all the risks and rewards of ownership of a financial asset if its exposure to such variability is no longer significant in relation to the total variability in the present value of the future net cash flows associated with the financial asset (eg because the entity has sold a financial asset subject only to an option to buy it back at its fair value at the time of repurchase or has transferred a fully proportionate share of the cash flows from a larger financial asset in an arrangement, such as a loan sub-participation, that meets the conditions in paragraph set above).

Often it will be obvious whether the Group has transferred or retained substantially all risks and rewards of ownership and there will be no need to perform any computations. In other cases, it will be necessary to compute and compare the Group's exposure to the variability in the present value of the future net cash flows before and after the transfer. The computation and comparison are made using as the discount rate an appropriate current market interest rate. All reasonably possible variability in net cash flows is considered, with greater weight being given to those outcomes that are more likely to occur.

Whether the Group has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Group has not retained control. In all other cases, the Group has retained control.

Derecognition of financial liabilities

The Group remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished—ie when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

If Group repurchases a part of a financial liability, the entity shall allocate the previous carrying amount of the financial liability between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the repurchase. The difference between (a) the carrying amount allocated to the part derecognised and (b) the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognised is recognised in profit or loss.

Impairment of financial assets

At each reporting date the Group performs the assessment of indicators of impairment of financial asset or group of financial assets. Financial asset or group of financial assets can be impaired if, and only if, when there is a reliable evidence of impairment as a result of one of number of events taking place subsequent to initial recognition (the “event resulting the loss”), which resulted the impact, which can be reliably measured, on expected future cash flows of the financial asset or group of financial assets. The indicators of impairment can include the fact that debtor or group of debtors are experiencing insolvency issues, and cannot repay the debt or has delays is repayment of interest or principal amount of debt, as well as probability of insolvency and upcoming liquidation process or financial restructuring. Moreover, such indicators include observable evidence, indicating existence of reliably measured decrease in expected cash flows of the financial instrument, in particular, the changes in overdue debts or economic environment, which has certain dependencies with defaults in repayments of debt.

The Group recognise a loss allowance for expected credit losses on a financial asset that is measured for a contract asset or a loan commitment and a financial guarantee contract to which the impairment requirements apply.

The objective of the impairment is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

The Group always measure the loss allowance at an amount equal to lifetime expected credit losses for:

- (a) trade receivables or contract assets that result from transactions that are within the scope of IFRS 15, and that:
  - (i) do not contain a significant financing component in accordance with IFRS 15 (or when the Group applies the practical expedient of IFRS 15); or
  - (ii) contain a significant financing component in accordance with IFRS 15, if the Group chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected

credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.

(b) lease receivables that result from transactions that are within the scope of IFRS 16.

Financial assets recorded at amortized cost

The Group performs the assessment of indicators of impairment financial assets recorded at amortised cost if individually significant or if individually insignificant, than by groups. If the Group identifies the reliable evidence of absence of impairment, despite of the significance, such asset is included in the group of financial assets with similar characteristic of credit risk, and subsequently reviews this group for impairment indicators in aggregate. Assets, individually assessed as impaired are not included in aggregate assessment of the group for impairment.

When there is reliable evidence of incurred losses from impairment, the amount of loss is recognised as a difference of book value and discounted expected future cash flows (without expected future credit losses not yet incurred).

Present value of expected future cash flows are discounted at initial effective interest rate of the financial asset. If the interest rate of borrowing is a floating rate, the discount rate for impairment loss calculation is current effective interest rate.

The book value of the asset decreases through reserve account, and amount of loss added to the consolidated statement of comprehensive income. Accrual of interest income on decreased book value continued based on rate, used for discounting future cash flows for the purpose of assessing losses from impairment. Interest income is included in financial income in the consolidated statement of profit or loss and other comprehensive income. Loans along with related provisions are not included in the consolidated statement of financial position if there is no evidence of recoverability of such and all available security was sold or transferred to the Group. If during the subsequent period the amount of calculated losses from impairment increases or decreases as a result of an event taking place after recognition of impairment, the amount of losses recognised increase or decrease by means of reserve account adjustment. If the subsequently the write-off of value of financial asset recovers, the amount of recovery recognised as decrease of finance costs in the consolidated statement of profit or loss and other comprehensive income.

Financial investments

The Group performs the annual assessment for impairment indicators for the investments.

If the investments in equity instruments, the reliable evidence of impairment would be significant and continuous decrease in fair value of the investment below its initial acquisition cost. The significance is measured in comparison to initial acquisition cost, continuous means the comparison to the period, when decrease below initial acquisition cost took place. When reliable evidence of impairment is identified the amount of comprehensive loss, calculated as difference of book value and current fair value, less any other impairment loss recognised in the statement of comprehensive income, the loss is reclassified from other comprehensive income to the consolidated statement of comprehensive income.

The promissory notes are subject of same impairment criteria applied to financial assets recorded at amortised cost. However, the amount of impairment loss recognised is the difference of amortised cost and current fair value, less accumulated impairment loss for this investment, recognised previously in the consolidated statement of comprehensive income.

Accrual of interest income on decreased book value continued based on rate, used for discounting future cash flows for the purpose of assessing losses from impairment. Interest income is included in financial income in the consolidated statement of comprehensive income. If during the subsequent period the fair value of the promissory note will increase and this increase can be reliably tied with event taking place after initial loss recognition in the consolidated statement of comprehensive income, the impairment losses are recovered in profit and loss.

Loans and borrowings

Subsequent to initial recognition interest bearing loans and borrowings are measured at amortized cost based on effective interest rate method. Gains and losses resulting from these instruments included in consolidated statement of profit or loss and other comprehensive income at derecognition, as well as amortizing at effective interest rate.

Amortized cost includes the discounts and premiums at acquisition, as well as commissions or other fees, which are integral part of the effective interest rate. Amortization based on effective interest rate method is included in finance income in the consolidated statement of profit or loss and other comprehensive income.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories is determined using the FIFO method.

Impairment of non-financial assets

The Group performs the assessment of impairment indicators of the assets at each reporting date. If such indicators exist or if there is a requirement to perform impairment test, than Group perform the assessment of recoverability of asset. The recoverable amount of the asset or component, generating cash flows (the "CGCF") is higher of fair value of the asset less cost to sell and value in use of the asset. Recoverable amount is determined for separate asset, except for cases, when such asset does not generate cash flows, which dependent on cash flows generated by other assets or group of assets. If the book value of the asset or CGCF exceeds its recoverable amount, the asset is impaired and written off to recoverable amount. When estimated value in use future cash flows are discounted at the discount rate before taxation, which reflects the current market estimate of time value of money and risks related to the asset. When determining fair value of the asset less cost to sell recent market deals (if any) are taken into account. If no such information is available, appropriate valuation model is used. These calculations are supported by valuation coefficients, market prices of freely convertible shares of the subsidiaries or other available indicators of the fair value.
If the book value of the asset or CGCF exceeds its recoverable amount, the asset is considered as impaired and written down to recoverable amount. Under assessment of value in use the future cash flows are discounted at the rate net of tax, which reflects the present market value of cash flows and risks inherent to the asset. Under assessment of the fair value less cost to sell, the recent market transactions (if were existent) are taken into consideration. If no such transaction took place the relevant valuation model is applied. These computations are supported by estimated coefficients, active market quotes of subsidiaries shares and other available indicators of fair value.

Impairment losses from ongoing activities (including inventory impairment) are included in the consolidated statement of comprehensive income as a component of those expenses, which are related to the function of the asset, except for previously revalued real estate if revaluation was recognised in other comprehensive income. In such cases the impairment loss is deducted from other comprehensive income to the extent the revaluation gain was recognised.

The Group performs assessment of indicators whether indicators of impairment loss still exist or decreased on each reporting dates. If such indicator exists the Group assesses the recoverable amount of the asset or cash generating component. Previously recorded impairment losses recovered only if the changes in applied estimate of the recoverability of the asset, since most recent impairment loss recorded. The recovery is limited to the book have not exceeding its recoverable amount, as well as not exceeding book value less depreciation, which would be charged if such impairment loss would not be recorded. This recovery of loss is included in the consolidated statement of profit or loss and other comprehensive income.

Cash

Cash in the consolidated statement of financial position include the cash in banks and cash on hands.

Provisions

Provision are recorded if the Group has current liabilities (legal or constructive), as a result of the past events, with a probable outflow economic benefits required to settle liability, and such liability can be reliably measured. If the Group expects to recover all or part of the provisions, e.g. under insurance contracts, the recovery is recorded as a separate asset, but only when such recovery inflow is not doubted. Expenses, related to the provision, are added to the consolidated statement of comprehensive income less recovery.

Pensions and another employee benefits post-employment benefits

The Group performs payments to social fund in accordance with pension scheme of the Republic of Tajikistan. The payments to social fund are fixed. The Group will not have any further legal or constructive liabilities to the Fund in relation to the retirement benefits if Fund will not have sufficient resources to perform payments to employees for services performed in current and previous years.

The Group performs fixed payments to the State social fund amounting to 25% of salaries of the employees and recorded in the period as incurred. The Group does not have any other pension or other schemes or liabilities to perform pension payments to its employees.

Application of new and revised international financial reporting standards

Until January 1, 2018, the date of transition to IFRS, the Group considered the adjustments to the carrying amount of assets and liabilities to their fair value arising on acquisition, as assets and liabilities of the Group. Until January 1, 2018, the date of transition to IFRS, the Group considered the adjustments to the carrying amount of assets and liabilities to their fair value arising on acquisition, as assets and liabilities of the Group.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018.

The effect of initially applying these standards is mainly attributed to the following:
- timing of recognition of revenue for the supply of electricity to buyers);
- classification of revenue earned from the contracts which bear price finalisation options as other revenue instead of revenue from contracts with customers;
- an increase in impairment losses recognised on financial assets;
- disclosures to be presented as required by the new standards

New and revised IFRSs in issue but not yet effective

A number of new standards, additions to standards and interpretations have not yet entered into force as of December 31, 2018 and have not been applied in the preparation of these consolidated financial statements. Of these innovations, the following standards and amendments have the potential to have an impact on the financial and business operations of the Group.

The Group plans to begin applying these standards and amendments from the moment they take effect. Analysis of the possible impact of the new standards on the consolidated financial statements of the Group has not yet been conducted.

(in thousand Tajik somoni, unless otherwise stated)

At the date of authorization of this financial information, the following new standards and interpretations were in issue, but not mandatorily yet effective, and which the Group has not early adopted:

- IFRS 16 “Leases” provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.
- IFRS 17 Insurance Contracts provides for an assessment of insurance liabilities at the current cost of performance and offers a more uniform approach to evaluating and presenting all insurance contracts. The standard is designed to ensure consistent and principled accounting of insurance contracts. IFRS 17 replaces IFRS 4 Insurance Contracts, as well as associated interpretations, and becomes effective for annual periods beginning on or after January 1, 2021.
- The amendments to IFRS 9 Financial Instruments modify the existing requirements of IFRS 9 and allow for the assessment of financial assets that are prepaid at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Application of IFRS (IFRS 9) "Financial Instruments"

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Group applied IFRS 9 Financial Instruments from January 1, 2018 with the effect detailed bellow:

Category	IAS 39 carrying amount on 31 December 2017	Revaluation	IFRS 9 carrying amount on 1 January 2018
Trade and other receivables	544,053	97,375	641,428

After applying IFRS 9 the Company recognized recovery allowance for expected credit loss in the amount of 97,375 thousand somoni on trade and other receivables.

The following table explains the reasons for the significant change in the value of financial instruments as a result of the application of IFRS 9:

Effect of IFRS 9 transition as at January 1, 2018:

Accumulated deficit

Closing balance in accordance with IAS 39 (December 31, 2017)	(10,732,338)
Recognition of expected credit losses in accordance with IFRS 9	97,375
Opening balance in accordance with IFRS 9 (January 1, 2018)	(10,634,963)

5. CRITICAL ACCOUNTING ESTIMATES AND PROFESSIONAL JUDGEMENTS IN APPLYING ACCOUNTING POLICY

The Group makes estimates and assumptions that affect within the next financial period the amounts of assets and liabilities recognized in consolidated financial statements. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant impact on the figures recorded in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities within the next financial period include:

Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions at the end of the reporting period that affect the amounts of revenue, costs, assets and liabilities, presented in statements. However, uncertainty of these assumptions and estimates could result outcomes, that could require in future material adjustments of book value of asset or liability in respect of which such assumptions and estimates are made.

Judgments

In the process of applying the Group’s accounting policy, management has used the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Estimates and assumptions

The key assumptions about the future and other key sources of estimation of uncertainty at the reporting date, which may cause significant adjustments of the carrying value of assets and liabilities during the next financial year, are discussed below. Assumptions and estimates are based on the Group’s source data, which it had at the time of preparation of the consolidated financial statements. However, current circumstances and assumptions regarding the future are subject to change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions as they occur.

Impairment of non-financial assets

Impairment occurs when the carrying amount of an asset or the cash-generating unit, exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. The fair value less costs to sell is based on available information on commercial deals of sales of similar assets or observable market prices less incremental costs incurred in connection with the disposal of an asset. The calculation of value in use is based on a discounted cash flow model. Cash flows are taken from the budget for the next five years and do not include restructuring activity, in conducting of which the Group does not have obligations or significant investment in future, which will improve the asset tested for impairment of cash generating unit. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model, and also to the expected cash inflows and the growth rate, used for extrapolation. More information about the key assumptions used to determine the recoverable amount of the various units, generating cash, including sensitivity analysis, is provided in Note 31.

The fair value of financial instruments

In cases when the fair value of financial instruments and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques, including discounted cash flow model. As a source data for these models is used information from observable markets, but in those cases where this is not feasible, a certain proportion of judgment is required to determine fair value. The judgments include considerations of such data as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments, recognised in the consolidated financial statements.

(in thousand Tajik somoni, unless otherwise stated)

Allowance for doubtful debts, advances paid, investments and allowance for cost decrease to net realizable value inventories

Determining the direction of allowance for doubtful debts, advances paid, investments and allowance for cost decrease to net realizable value inventories requires management to make assumptions based on the best estimates of the Group’s ability to realize these assets. As a result of the general changes in the economy or other similar circumstances after the reporting date, management may draw conclusions that may differ from the finding made in the preparation of these consolidated financial statements.

Useful lives of property, plant and equipment

The Group estimates the useful lives of fixed assets at each reporting date. The estimation of the useful lives of fixed assets depends on factors such as economical use, repair and customer service programs, technological progress and other business conditions. Management’s assessment of the useful lives of fixed assets reflects the relevant information available to management as at the date the consolidated financial statements.

Market rate of borrowings received

The Group uses valuation techniques that include inputs that are not based on observable market date to estimate the fair value of non-current borrowings. Borrowings are discounted at a rate of 4.11% per annum as at December 31, 2018 (4.19% as at December 31, 2017), which the Management of the Group has defined as the market rates on non-current borrowings.

Revaluation and impairment of property, plant and equipment

The following assumptions were used by the Management of the Group during the impairment test of property, plant and equipment:

	Assumptions	**Forecast**				**After-forecast period**
		2019	**2020**	**2021**	**2022**	
a)	Tariffs increase (internal sales)	17%	6%	15%	15%	15%
b)	Tariff increase (export)	17%	15%	15%	15%	15%
c)	Production volume increase	3%	7.7%	-0.2%	-0.2%	0%
d)	Volume of export increase	2%	2%	19%	0%	0%
e)	Cost of sales increase	10%	10%	10%	10%	10%
f)	General and administrative expenses increase	10%	10%	10%	10%	10%
h)	Selling expenses increase	10%	10%	10%	10%	10%
i)	EBITDA	1,791,297	2,348,566	2,932,122	3,491,362	3,102,356

(in thousand Tajik somoni, unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2018 and 2017 property, plant and equipment of the Group are presented as follows:

	Buildings and constructions	Machinery and equipment	Other	Construction in progress and equipment for installation	Total
Cost					
December 31, 2016	5,854,846	5,049,429	169,717	3,383,539	14,457,531
Additions	2,798	921,464	3,058	807,489	1,734,809
Transfer from inventory	3,598	24,253	589	76,749	105,189
Internal movement	68,578	2,609,389	2,658	(2,680,625)	-
Disposals	(3,714)	(3,002)	(186)	(1,164)	(8,066)
December 31, 2017	5,926,106	8,601,533	175,836	1,585,988	16,289,463
Additions	6,780	693,199	3,822	1,343,484	2,047,285
Transfer from inventory	2,046	139,731	35,127	(31,608)	145,296
Transfer to inventory	(3)	(925)	(60)	(12,898)	(13,886)
Internal movement	18,445	731,850	1,696	(751,991)	-
Disposals	3,064	(3,091)	(566)	(732)	(7,453)
December 31, 2018	5,950,310	10,162,297	215,855	2,132,243	18,460,705
Accumulated depreciation					
December 31, 2016	1,186,017	1,948,498	61,068	109,639	3,305,222
Charge for the period	164,378	310,854	13,245	3,381	491,858
Disposals	(979)	(1,242)	(354)	-	(2,575)
Depreciation on equipment to installation	-	765	-	3,138	3,903
Internal movement	(1,067)	678	389	-	-
December 31, 2017	1,348,349	2,259,553	74,348	116,158	3,798,408
Charge for the period	159,249	339,703	14,353	224	513,529
Disposals	(667)	(3,017)	(474)	-	(4,158)
Depreciation on equipment to install	-	1,257	3	1	1,261
December 31, 2018	1,506,931	1,597,496	88,230	116,383	4,309,040
Net book value					
at December 31, 2017	4,577,757	6,341,980	101,488	1,469,830	12,491,055
at December 31, 2018	4,443,379	7,564,801	127,625	2,015,860	14,151,665

As at December 31, 2018 and 2017 fixed assets and construction in progress were not insured.

(in thousand Tajik somoni, unless otherwise stated)

The Group monitors the use of its assets, but because the Group's sole shareholder is the Government of the Republic of Tajikistan, it is not able to write-off fixed assets without the permission of the State Committee on Investments and Property Management of the Republic of Tajikistan.

Fixed assets received as grant mostly consist of electrical equipment and power transmission devices transferred under the control of the Group by the Government of the Republic of Tajikistan and by electricity consumers - legal entities and individuals of the Republic of Tajikistan. These grants were recognized as deferred income in accordance with IAS 20 "Accounting for government grants and disclosure of government assistance" which is amortized over the useful life of the associated granted assets. As at December 31, 2018 and 2017 amount of deferred income equaled to 128,482 thousand somoni and 86,377 thousand somoni, respectively (Note 15).

The Group borrows funds to acquire assets and capitalizes the interest on assets that meets certain requirements prescribed in IAS 23 "Borrowing costs". In 2018 and 2017, the Group capitalized 33,042 thousand somoni and 113,552 thousand somoni, respectively, on the cost of construction in progress.

As at December 31, 2018 and 2017 Group's assets were pledged as collateral on borrowings comprised of buildings and constructions, machinery and equipment, other fixed assets, construction in progress and equipment for installation of subsidiary of the Group - Baipaza hydropower station. As at December 31, 2018 and 2017 net book value of Baipaza hydropower station fixed assets equaled to 429,922 thousand somoni and 440,653 thousand somoni, respectively.

The Group adopted revaluation model for property, plant and equipment accounting in accordance with IAS 16 Property, plant and equipment. In 2014 the Group performed and recognized revaluation of property, plant and equipment as at December 31, 2013. Before recognition of revaluation results the carrying value of fixed assets as at December 31, 2013 equaled to 6,883,777 thousand somoni, accumulated depreciation equaled to 1,806,854 thousand somoni.

We also want to note that the Group will enter into negotiations on the conclusion of a contract to conduct and recognize the revaluation of fixed assets.

The Group was granted temporary permission to operate the new thermal electric power plant Dushanbe-2 (the "TPP Dushanbe-2"). The Group recognizes all income and expenses related to the use and operations of TPP Dushanbe-2. Since Dushanbe-2 TPP was not adopted by the State Acceptance Commission, the cost of this facility has not been officially indicated to the Group. However, the Group received a letter from the Ministry of Energy and Water Resources of the Republic of Tajikistan about the approximate cost of the Dushanbe-2 TPP in the amount of 905,479 thousand somoni and recognized the Dushanbe-2 TPP as fixed assets of Group ans also recognized long-term liabilities from Government of Republic of Tajikistan. The Group recognized all income and expenses related to the use and operations of TPP Dushanbe-2.

7. NON-CURRENT ADVANCES PAID

As at December 31, 2018 and 2017 the Group's non-current advances paid are as follows:

	December 31, 2018	**December 31, 2017**
Non-current advances paid	621,062	695,546
	621,062	695,546

As at December 31, 2018 and 2017 non-current advances paid include advances for the construction of production facilities and supply of equipment.

(in thousand Tajik somoni, unless otherwise stated)

8. NON-CURRENT INVESTMENTS

As at December 31, 2018 and 2017 the Group's non-current investments are as follows:

	December 31, 2018	December 31, 2017
Shares in HPP "Sangtuda - 2"	150,796	150,796
OJSC "Rogun HPP"	31,603	31,603
Other	114	114
Allowance on impairment of non-current investments	(112)	(112)
	182,401	182,401

In 2006 the Group has signed agreement with OJSC "Sangob" on financing of the construction of HPP Sangtuda-2 in the amount of 40,000 thousand US dollars. In accordance with the agreement after 12 years of use the Hydropower Plant would be transferred to the Group. As at December 31, 2012 the Group has fully paid obligations under the agreement. In accordance with terms of the agreement on purchase of electricity the Group has to purchase electricity from HPP Sangtuda-2 at fixed price which should be increased by 5% annualy starting from 2015.

In 2010 the Group acquired the shares of OJSC "Rogun HPP" amounting to 23,700 thousand somoni. The obligations of OJSC "Roghun HPS" to the Group in the amount of 7,933 thousand somoni were converted into shares at the agreement of both parties and the Ministry of Finance of the Republic of Tajikistan.

The movement in allowance for impairment of non-current investments for the years ended December 31, 2018 and 2017 is presented as follows:

	2018	2017
at January 1	112	113
Recovery of allowance	-	(1)
at December 31	112	112

9. INVENTORIES

As at December 31, 2018 and 2017 inventories of the Group are as follows:

	December 31, 2018	December 31, 2017
Materials	420,720	484,090
Fuel and lubricants	169,400	174,646
Spare parts	153,358	91,947
Supplies and others	47,018	54,167
Low valuable items	23,963	22,142
Construction materials	2,888	2,064
Allowance for cost decrease to net realizable value and obsolete inventories	(259,950)	(235,630)
	557,397	593,426

(in thousand Tajik somoni, unless otherwise stated)

The movement in allowance for cost decrease to net realizable value and obsolete inventories for the years ended December 31, 2018 and 2017 is presented as follows:

	2018	**2017**
at January 1	235,630	222,619
Accrual of allowance	24,320	13,011
at December 31	259,950	235,630

10. TRADE AND OTHER ACCOUNTS RECEIVABLE

As at December 31, 2018 and 2017 trade and other accounts receivable of the Group are as follows:

	December 31, 2018	**December 31, 2017**
Accounts receivable for electricity	1,473,102	1,163,286
Accounts receivable for heat	18,217	16,230
Accounts receivable for goods and services	3,135	2,038
Other receivables	1,305	387
Allowance for doubtful debts	(850,303)	(637,888)
	645,456	544,053

The movement in the allowance for doubtful debts for the years ended December 31, 2018 and 2017 is presented as follows:

	2018	**2017**
at December 31 previous year	637,888	569,091
Allowance for expected credit losses on long-term trading accounts receivable according IFRS 9	(97,375)	-
at January 1	540,513	569,091
Accrual of allowance	309,790	68,797
at December 31	850,303	637,888

The most significant debtors of the Group are as follows:

	December 31, 2018	**December 31, 2017**
SUE "Tajik Aluminum Company"	390,774	398,978
The State Department of Land Resources and Irrigation	133,019	71,010
DA Afganistan Breshna Sherkat	43,072	21,245
OJSC "Rogun HPS"	24,009	25,518
"Tojikhimprom", OJSC	23,842	20,785
Dushanbe heating network enterprise	16,994	14,982
"Uzbekenergo", JSC	12,369	5,784
SUE «Dushanbevodokanal»	10,083	8,905
"NEN of Kyrgyzstan"	638	37

(in thousand Tajik somoni, unless otherwise stated)

11. CURRENT ADVANCES PAID

As at December 31, 2018 and 2017 current advances paid of the Group are as follows:

	December 31, 2018	December 31, 2017
Advances paid for goods and services	196,129	123,680
Advances issued for construction work	15,431	-
Advances to employees	568	685
Other advance prepayments	67	49
Allowance for doubtful advances paid	(24,402)	(14,674)
	187,793	109,740

The movement in allowance for doubtful advances paid for the years ended December 31, 2018 and 2017 is presented as follows:

	2018	2017
at January 1	14,674	18,965
Accrual/(recovery) of allowance	49,581	(4,366)
Write-off	(39,853)	-
at December 31	24,402	14,674

12. CASH AND CASH EQUIVALENTS

As at December 31, 2018 and 2017 cash and cash equivalents of the Group are as follows:

	December 31, 2018	December 31, 2017
Cash in bank account	139,367	60,925
Cash on hand	897	544
	140,264	61,469

13. SHARE CAPITAL

As at December 31, 2018 and 2017 announced, issued and paid share capital of the Group amounted to 653,279 and 505,216 thousand somoni respectively.

In 2018 share capital of the Group was increased by 148,006 thousand somoni in accordance with the Decrees of the Government of the Republic of Tajikistan # 375 dated August 01, 2018 (50,663 thousand somoni) and #605,606 dated December 29, 2018 (40,560 thousand somoni and 47,195 thousand somoni), and prior year corrections (9,644 thousand somoni). The increase was made through offsetting accounts payable for electricity of the Group to OJSC “Sangtuda HPP-1” and tax liabilities of the OJSC “Sangtuda HPP-1” to the state budget of the Republic of Tajikistan.

In 2018, the Group Management corrected the mistake that was made while forming the authorized capital of the Group due to accumulated losses of previous years for Dangara EG in amount 9,644 thousand somoni.
In 2018, the Group Management corrected the mistake that was made while forming the authorized capital of the Group due to undistributed losses of previous years for Yavan HS and Isfara EG (61,358 and 3,998 thousand somoni respectively).
In 2018 and 2017 the Group did not announce any dividends.

(in thousand Tajik somoni, unless otherwise stated)

14. BORROWED FUNDS

As at December 31, 2018 and 2017 non-current borrowed funds of the Group are as follows:

	December 31, 2018	December 31, 2017
Loan from the Ministry of finance of Republic of Tajikistan	9,087,433	7,884,798
Loans from OJSC "Orienbank"	1,909,494	1,618,287
Loan from the European Bank for Reconstruction and Development	72,249	67,749
Unamortized portion of discount	(272,736)	(190,732)
Unamortized portion of front-end fee	(10,825)	(9,537)
	10,785,615	9,370,565

The Group uses valuation techniques that include inputs that are not based on observable market date to estimate the fair value of non-current borrowings. Borrowings are discounted at a rate of 4.11% per annum as at December 31, 2018 (4.19% as at December 31, 2017), which the Management of the Group has defined as the market rates on non-current borrowings.

Movement of discount on non-current borrowed funds for the years ended December 31, 2018 and 2017 is presented as follows:

	2018	2017
at January 1	190,732	187,679
Discount recognition	119,026	4,579
Amortization	(38,056)	(36,133)
Effect of change in discount rate	(11,523)	10,439
Forex effect	12,557	24,168
at December 31	272,736	190,732

As at December 31, 2018 and 2017 current borrowed funds of the Group are as follows:

	December 31, 2018	December 31, 2017
Loan from the Ministry of finance of Republic of Tajikistan	3,258,155	2,543,760
Loan from the European Bank for Reconstruction and Development	9,653	8,839
Interest payable	2,770,677	2,197,004
Front-end fee payable	14,463	13,727
Unamortized portion of front-end fee	(946)	(734)
	6,052,002	4,762,596

As at December 31, 2018 and 2017 weighted average interest rate on borrowed funds was 6.9% and 6.7%, respectively.

Current portion of non-current borrowings is allocated in accordance with the repayment schedule of principal on loans.

(in thousand Tajik somoni, unless otherwise stated)

As at December 31, 2018 and 2017 outstanding amount on loans received from Ministry of finance of the Republic of Tajikistan and European Bank for Reconstruction and Development is presented in the following table:

Loan #	Creditor	Loan purpose	Agreement date	Maturity date	Loan amount	Interest rate	December 31, 2018	December 31, 2017
№ 2010 (024)TOTAL 131-029БТ	The Export-Import Bank of China	Construction of high power electric grid 220 kV "Khujand-Ayni"	December 15, 2010	September 21, 2031	35,055 thousand USD	3%	330,555	309,150
1141P	OPEC	Expansion of energy cooperation between Tajikistan and Afghanistan	June 28, 2011	August 15, 2026	8,500 thousand USD	3%	74,556	69,729
ТАД 030-032 БТ	Islamic Development bank	Expansion of energy cooperation between Tajikistan and Afghanistan	June 28, 2011	November 30, 2031	14,067 thousand USD	3%	131,824	123,288
0124- TAJ (SF)	Asian Development Bank	Funding of the Project for reconstruction of ORU-500 Kw on Nurek HPP	December 20, 2011	October 15, 2033	54,770 thousand USD	5%	516,321	482,887
Taj 021 БТ	KfW	Replacement of the 220 kV switchgear at Nurek HPP	February 3, 2009	November 01, 2033	18,000 thousand EUR	8%	194,406	190,372
Grant №566TJ	International Development Association	Emergency assistance in the restoration project of the energy sector	July 16, 2010	September 15, 2030	15,000 thousand USD	6%	144,777	135,402
Grant № H372 TJ)	International Development Association	Immediate increase in volume and increasing the reliability of energy supply in the country, especially in the winter season.	October 30, 2008	September 15, 2028	4,342 thousand USD	6%	37,748	35,304
Credit № 4093 TJ	International Development Association	Funding of the project to reduce power losses	December 6, 2005	September 15, 2026	11,446 thousand USD	6%	105,455	98,627
6016	The Export-Import Bank of China	Construction of power lines 220 kV "Lolazor-Khatlon"	December 16, 2006	June 21, 2026	55,228 thousand USD	3%	520,774	487,052
6015	The Export-Import Bank of China	Construction of power lines 500 kV "South-North"	December 21, 2006	June 21, 2026	267,219 thousand USD	3%	2,519,773	2,356,608
665	The Kuwait Fund for Arab Economic Development	Funding of the project for reconstruction of electric grids in Dushanbe	September 20, 2003	October 1, 2029	3,600 thousand KWD	5%	109,917	103,436

(in thousand Tajik somoni, unless otherwise stated)

Loan #	Creditor	Loan purpose	Agreement date	Maturity date	Loan amount	Interest rate	December 31, 2018	December 31, 2017
IDB -0022	Islamic Development bank	Construction of small HPPs	March 18, 2005	December 30, 2029	7,623 thousand IDB	3.50%	94,747	90,518
IDB -011-029-031	Islamic Development bank	Reliable power supply in rural areas of Tajikistan	November 26, 2004	December 31, 2020	10,400 thousand IDB	5%	138,533	132,350
Switzerland Confederation	Switzerland Confederation	Funding of the Swiss Subproject for rehabilitation of the power system	December 1, 2003	June 30, 2029	8,862 thousand USD	1.50%	83,567	78,155
2303	Asian Development Bank	Construction of intersystem electric grids	May 21, 2007	December 1, 2031	14,475 thousand XDR	Libor + 0,5%	161,488	154,280
1817	Asian Development Bank	Funding of the Power System Rehabilitation Project	August 20, 2001	December 15, 2025	26,576 thousand XDR	5.00%	348,534	254,751
06015-06016	The Export-Import Bank of China	Additional construction of high-voltage power lines 500/220 kV South-North, Lolazor-Khatlon	May 29, 2007	December 21, 2028	51.000 thousand USD	3%	480,910	449,769
1912-TAJ (SF)	Asian Development Bank	Funding of the Emergency project to stabilize landslides Baipaza HPP	October 20, 2003	December 1, 2033	4,001 thousand XDR	1.50%	40,157	38,365
0213-TAJ-28 BT	Asian Development Bank	Funding of the regional project for the transfer of electricity	November 23, 2010	September 15, 2036	112,500 thousand USD	5%	1,016,276	923,276
KFW-034BT	KfW	Construction of 220 kV switchgear at Nurek	June 2, 2011	May 30, 2032	7,000 thousand EUR	3%	75,602	74,034
2011 (19) TOTAL № (170)-030 БТ	The Export-Import Bank of China	Construction of unified energetic system in north region of Republic of Tajikistan	July 20, 2011	March 21, 2031	26,464 thousand USD	3%	249,543	233,384
Government of Switzerland confederation	International Development Association	Funding of “Energy loss reduction project”	June 29, 2007	June 15, 2032	2,582 thousand USD	6%	21,909	20,490
Grant №TF096573-035 BT	Switzerland Trust Fund	Funding of “Energy loss reduction project”	December 21, 2011	September 15, 2031	3,468 thousand USD	6%	32,113	30,034
266-025	The Export-Import Bank of China	Reconstruction of Regar substation	July 31, 2013	November 21, 2033	35,043 thousand USD	6%	330,444	309,047

(in thousand Tajik somoni, unless otherwise stated)

Loan #	Creditor	Loan purpose	Agreement date	Maturity date	Loan amount	Interest rate	December 31, 2018	December 31, 2017
№TAJ 2015-10(БТ)	International Development Association	Funding of the project "Providing electricity in winter period"	September 21, 2015	April 15, 2035	5,000 thousand USD	3%	47,058	40,845
TAJ 2014-028-1	The Export-Import Bank of China	Funding of the project "Construction of the second phase of the HES Dushanbe– 2"	December 18, 2014	June 21, 2034	178 969 thousand USD	5%	1,436,962	1,343,913
TAJ 2014-028-2	The Export-Import Bank of China	Funding of the project "Construction of the second phase of the HES Dushanbe– 2"	December 18, 2014	August 21, 2039	929,977 thousand CNY	5%	1,274,255	1,259,654
TAJ 2014-006 (БТ-026)	Asian Development Bank	Funding of the project "Rehabilitation Head HPP 240 MW"	December 25, 2014	September 15, 2039	136,000 thousand USD	5%	522,321	302,296
TAJ 2014-007(БТ-027	Islamic Development bank	Funding of the project "Reconstruction of substation Ravshan"	May 5, 2015	October 15, 2038	13,070 thousand USD	3%	105,150	28,379
2015-009(БТ-027)	Asian Development Bank	Implementation of accounting system of wholesale supply of electricity and improving power system design	November 15, 2015	April 15, 2040	54,000 thousand USD	5%	312,891	204,610
41553	European Bank for Reconstruction and Development	Reconstruction of Kairakkum HPP	June 25, 2014	December 8, 2029	50,000 thousand USD	Libor +1%	438	4,226
41538	European Bank for Reconstruction and Development	Reduction of electricity losses in the Sughd region	June 15, 2011	April 5, 2016	10,150 thousand USD	Libor +1%	8,208	72,363
EIB Serapis № 2009 0675 - 031BT		Renovation of the energy sector of the Republic of Tajikistan	October 12, 2011	September 15, 2030	10,141 thousand USD	3%	95,631	67,354
Funding for the project construction of small hydropower plant "Kulob" and "Vose'	State committee on investment and state property management of the Republic of Tajikistan	Funding of the project "Construction of small hydropower plant "Kulob" and "Vose" to provide electricity to the rural population"	January 1, 2008	June 30, 2018	1,200 thousand TJS	1%	1,200	1,200
TAJ 2015-008 (БТ-032)		Electricity sales project between Central Asia and South Asia (CASA-1000)	October 1, 2015	October 15, 2035	45,000 thousand USD		161,905	-

(in thousand Tajik somoni, unless otherwise stated)

Loan #	Creditor	Loan purpose	Agreement date	Maturity date	Loan amount	Interest rate	December 31, 2018	December 31, 2017
TAJ 2016-03 (БТ-036)		Electricity sales project between Central Asia and South Asia (CASA-1000)	August 19, 2016	June 15, 2045	70,000 thousand EUR		-	-
TAJ 2016-03 (БТ-037)		Electricity sales project between Central Asia and South Asia (CASA-1000)	August 19, 2016	June 15, 2045	70,000 thousand EUR		42,505	-
TAJ 2017-02 (БТ-039)		Rehabilitation and construction of power lines of 500 kW. RRP	December 29, 2017	August 21, 2042	546,032 thousand CNY	3%	618,614	-
TAJ 2018-01 (БТ-040)		Nurek HPP Recovery Project, Stage 1 Part A 6024-TJ	January 15, 2018	October 15, 2055	64,135 thousand USD	1,56%	547	-
TAJ 2018-01 (БТ-040)		Nurek HPP Recovery Project, Stage 1 Part B 6024-TJ	January 15, 2018	October 15, 2055	100,000 thousand USD	2,35%	2,357	-
TAJ 2018-02 (БТ-041)		Проект по восстановлению Нурекской ГЭС, 1 этап	January 29, 2018	October 15, 2042	60,000 thousand USD	2,50%	74,001	-
							11,935,330	**9,765,168**

(in thousand Tajik somoni, unless otherwise stated)

15. DEFERRED INCOME

As at December 31, 2018 and 2017 deferred income of the Group comprises of current and non-current portions.

Non-current portion of deferred income:

	December 31, 2018	December 31, 2017
Deferred income on grants received from Government of the Republic of Tajikistan	543,841	341,749
Deferred income on discounting of non-current borrowed funds at the rate lower than market rate	201,542	86,921
Deferred income on fixed assets received as grant	123,250	82,513
	868,633	511,183

Current portion of deferred income:

	December 31, 2018	December 31, 2017
Deferred income on fixed assets received as grant	5,232	3,864
Deferred income on grants received from the Government of the Republic of Tajikistan	2,670	2,639
	7,902	6,503

Deferred income on grants received is presented in the form of targeted funding for the construction of fixed assets and granted assets from the state bodies, which include mainly electrical equipment and facilities for power transfer devices transferred to the control of the Group by the Government of the Republic of Tajikistan.

Deferred income on fixed assets received as grant represents fixed assets transferred under the control of the Group by the electricity consumers - legal entities and individuals of the Republic of Tajikistan. These grants were recognized as deferred income in accordance with IAS 20, which is amortized equally over the useful life of the granted assets. As at December 31, 2018 and 2017 amount of deferred income equaled to 128,482 thousand somoni and 86,377 thousand somoni, respectively.

Movement of deferred income on discounting of non-current borrowed funds at the rate lower than market rate for the years ended December 31, 2018 and 2017 was as follows:

	2018	2017
at January 1	86,921	86,504
Deferred income recognition	119,027	4,579
Amortization of deferred income	(4,406)	(4,162)
at December 31	201,542	86,921

(in thousand Tajik somoni, unless otherwise stated)

Movement of deferred income on grants received from Government of the Republic of Tajikistan for the years ended December 31, 2018 and 2017 is presented as follows:

	2018	**2017**
Long-term portion		
at January 1	341,749	311,441
Grants received during a year	207,701	35,874
Transferred to short-term portion	(5,609)	(5,566)
at December 31	543,841	341,749

	2018	**2017**
Short-term portion		
at January 1	2,639	1,589
Transferred from long-term portion	5,609	5,566
Amortized during a year	(5,578)	(4,516)
at December 31	2,670	2,639

Movement of deferred income on fixed assets received as grant for the years ended December 31, 2018 and 2017 is presented as follows:

	2018	**2017**
Long-term portion		
Balance as at January 1	82,513	80,459
Grants received during a year	46,779	5,987
Transferred to short-term portion	(6,042)	(3,933)
Balance as at December 31	123,250	82,513

	2018	**2017**
Short-term portion		
At January 1	3,864	3,618
Transferred from long-term portion	6,042	3,933
Amortized during a year	(4,674)	(3,687)
At December 31	5,232	3,864

(in thousand Tajik somoni, unless otherwise stated)

16. NON-CURRENT TRADE AND OTHER ACCOUNTS PAYABLE

As at December 31, 2018 and 2017 non-current trade and other accounts payable of the Group are as follows:

	December 31, 2018	December 31, 2017
Accounts payable for Dushanbe HPS-2 to Government of Republic of Tajikistan	905,479	905,479
Accounts payable for fixed assets to TBEA	-	6,670
	905,479	912,149

17. TRADE AND OTHER ACCOUNTS PAYABLE

As at December 31, 2018 and 2017 trade and other accounts payable of the Group are as follows:

	December 31, 2018	December 31, 2017
Accounts payable for electricity	2,399,050	1,856,151
Accounts payable for goods and services	218,273	187,795
Accounts payable for equipment	385,287	84,735
Accounts payable for construction works	9,437	6,131
Other accounts payable	4,640	3,912
	3,016,687	2,138,724

Below is information on the largest creditors:

	December 31, 2018	December 31, 2017
Islamic Republic of Iran Company "Sangob" (HPP "Sangtuda-2")	1,362,530	1,060,921
OJSC "HPP Sangtuda-1"	1,015,419	794,546
Government of Republic of Tajikistan	905,479	905,479
TBEA (China)	314,943	47,382
OJSC "TajikTransGaz"	47,977	-
SINOHYDRO – HYDROCHINA Company	35,934	37,227
Rogun HPP	22,364	-
"Nokili Talko" LLC	16,582	-
OJSC "Tojikgidroelectromontaj"	17,045	32,419
KF Shahtai Fon-Yagnob	9,447	59,232
Innovative road solutions Ltd AK	7,044	-
LLC Kombinati metal Tojik	6,838	14,183
Askans LTD LLC	6,436	-
Uzbekenergo	6,184	9,200
LLC "Amorat O"	4,800	100
Fikhtner Germany Company	3,442	-
Consortium Alstom & Gencer	2,119	12,401

(in thousand Tajik somoni, unless otherwise stated)

18. ADVANCES RECEIVED

As at December 31, 2018 and 2017 advances received by the Group are as follows:

	December 31, 2018	December 31, 2017
Prepayments received for electricity	127,997	106,610
Advances received for thermal energy	63	20
Other advances received	15	19
	128,075	106,649

19. TAXES PAYABLE

As at December 31, 2018 and 2017 taxes payable of the Group are as follows:

	December 31, 2018	December 31, 2017
Value added tax payable	23,720	40,596
Road tax payable	8,002	9,698
Social tax payable	6,417	6,356
Personal income tax payable	3,751	3,249
Royalty tax payable	3,617	2,169
Income tax payable	2,454	3,244
Other taxes	324	362
	48,285	65,674

20. OTHER PAYABLES AND ACCRUED EXPENSES

As at December 31, 2018 and 2017 other payables and accrued expenses of the Group are as follows:

	December 31, 2018	December 31, 2017
Fines and penalties on overdue borrowed funds	3,665,819	2,657,483
Fines and penalties on taxes	71,269	95,271
Salary payable	20,549	20,064
Unused vacation provision	18,475	13,854
Other liabilities	721	1,977
	3,776,833	2,788,649

The movement in provision for unused vacation for the years ended December 31, 2018 and 2017 is presented as follows:

	2018	2017
at January 1	13,854	21,184
Accrual /(recovery) of provision	4,621	(7,330)
at December 31	18,475	13,854

(in thousand Tajik somoni, unless otherwise stated)

21. INCOME TAX

The Group measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Tajikistan where the Group operates, which may differ from IFRS. For the years ended December 31, 2018 and 2017 on the territory of the Republic of Tajikistan, the income tax rate for production legal entities was 13%, but not less than 1% from gross revenue according to the tax law of the Republic of Tajikistan.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2018 and 2017 relate mostly to different methods of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets and liabilities.

	Year ended December 31, 2018	**Year ended December 31, 2017**
Current income tax expenses	31,608	25,086
Changes in deferred income tax	-	-
Income tax expenses	31,608	25,086

Temporary differences as at December 31, 2018 and 2017, comprise:

	December 31, 2018	**December 31, 2017**
Deferred income tax assets:		
Tax loss carry forward	3,560,508	4,678,514
Allowance for doubtful debts	850,303	637,888
Deferred income	674,992	430,766
Allowance for cost decrease to net realizable value and obsolete inventories	259,950	235,630
Allowance for doubtful advances paid	24,402	14,674
Unused vacation provision	18,475	13,854
Impairment allowance on long-term investments	112	112
Impairment of property, plant and equipment	1,261	3,903
Total deferred income tax assets	5,390,003	6,015,341
Deferred income tax liabilities:		
Discount on borrowed funds	71,194	103,811
Total deferred income tax liabilities	71,194	103,811
Net deferred income tax assets	5,318,809	5,911,530
Net deferred income tax assets at statutory tax rate (13%)	691,445	768,499
Allowance on net deferred income tax assets	(691,445)	(768,499)
Net deferred income tax assets less allowance	-	-

Temporary differences between tax accounting and current financial statement as well as tax losses lead to deferred tax liabilities as at December 31, 2018 and 2017 as a result of the following:

(in thousand Tajik somoni, unless otherwise stated)

	December 31, 2017	Recognized in the consolidated statement of profit or loss and other comprehensive income	Recognized in equity	December 31, 2018
Temporary differences:				
Tax loss carry forward	608,207	(145,341)	-	462,866
Allowance for doubtful debts	82,925	40,273	(12,659)	110,539
Deferred income	56,000	31,749	-	87,749
Allowance for cost decrease to net realizable value inventories	30,632	3,162	-	33,794
Allowance for doubtful advances paid	1,908	1,264	-	3,172
Unused vacation provision	1,801	601	-	2,402
Impairment allowance on long-term investments	15	-	-	15
Impairment of property, plant and equipment	507	(343)	-	164
Discount on borrowed funds	(13,496)	4,240	-	(9,256)
	768,499	(64,395)	(12,659)	691,445

	December 31, 2016	Recognized in the consolidated statement of profit or loss and other comprehensive income	Recognized in equity	December 31, 2017
Temporary differences:				
Tax loss carry forward	709,637	(101,430)	-	608,207
Allowance for doubtful debts	73,982	8,943	-	82,925
Deferred income	51,624	4,376	-	56,000
Allowance for cost decrease to net realizable value and obsolete inventories	28,940	1,692	-	30,632
Allowance for doubtful advances paid	2,465	(557)	-	1,908
Unused vacation provision	2,754	(953)	-	1,801
Impairment allowance on long-term investments	15	-	-	15
Impairment of property, plant and equipment	-	507	-	507
Discount on borrowed funds	(13,152)	(344)	-	(13,496)
	856,265	(87,766)	-	768,499

22. REVENUE

The Group's revenues from sales of electricity and thermal energy for the years ended December 31, 2018 and 2017 are as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Revenue from sale of electricity	2,673,373	2,107,280
Revenue from sale of thermal energy	11,362	6,367
	2,684,735	2,113,647

(in thousand Tajik somoni, unless otherwise stated)

23. COST OF SALES

The cost of electricity and thermal energy produced for the years ended December 31, 2018 and 2017 were as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Cost of electricity	1,424,820	1,081,437
Technical losses on transmission of electricity	274,791	183,760
Cost of thermal energy	256,722	249,091
	1,956,333	1,514,288

Cost of sales includes the following articles:

	Year ended December 31, 2018	Year ended December 31, 2017
Cost of purchased electricity	1,003,312	700,877
Materials	379,722	275,387
Depreciation of fixed assets	303,090	291,513
Transportation cost	111,524	71,803
Salary and related taxes	103,536	102,068
Taxes other than income tax	50,717	44,000
Other	4,432	28,640
	1,956,333	1,514,288

24. SELLING EXPENSES

The selling expenses of the Group for the years ended December 31, 2018 and 2017 are as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Accrual of allowance for doubtful accounts receivable	309,790	68,797
Depreciation of fixed assets	203,743	192,079
Salary and related taxes	185,808	174,837
Inventories	94,694	78,239
Accrual/(recovery) of allowance for doubtful advances paid	49,581	(4,366)
Services	39,993	31,639
Fixed assets maintenance	14,940	12,433
Fuel	9,349	8,058
Business trip	3,390	2,658
Other	24,118	26,009
	935,406	590,383

Distribution costs include expenses of the branches - power grids, which engaged in the transmission and sale of electricity.

(in thousand Tajik somoni, unless otherwise stated)

25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31, 2018 and 2017 are as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Taxes other than income tax	41,703	48,992
Salary and related taxes	20,024	19,097
Depreciation of fixed assets	6,696	8,266
Material aid for employees	6,072	1,507
Fines and penalties on taxes	5,632	24,718
Professional services	2,729	4,451
Fuel	2,230	4,098
Fixed assets maintenance	1,186	1,074
Business trip	1,127	1,006
Representation expenses	921	368
Rent	577	657
Utility	549	559
Communication	298	365
Bank fees	193	200
Other	5,949	5,130
	95,886	120,488

General and administrative expenses include the expenses of the HQ, the Center of projects implementation, DPMTO representative offices in the Russian Federation, subsidiary – Limited Liability Company "Barq – Servis".

Annually as a result of tax audit carried out by tax authorities the Group accrues fines and penalties for different taxes.

26. FINANCIAL GAIN AND LOSS

Financial gain and loss for the years ended December 31, 2018 and 2017 are as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Financial gain		
Effect of change in discount rate of borrowings	(11,523)	10,439
	(11,523)	10,439
Financial loss		
Penalties on borrowed funds	870,433	659,057
Interest expenses	843,059	624,093
Amortization of discount on borrowed funds	38,056	36,133
Amortization of front-end fee	1,064	602
	1,752,612	1,319,885

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27. OTHER NON-OPERATING LOSS, NET

Other non-operating gain/(loss), net for the years ended December 31, 2018 and 2017 are as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Amortization of deferred income	14,658	12,365
Inventory sales, net	6,064	2,957
Income from dividends	29	92
Accrual of allowance for cost decrease to net realizable value and obsolete inventories	(24,320)	(13,011)
Loss from disposal of property, plant and equipment	(2,763)	(5,491)
Impairment expenses for equipment of installation	(1,261)	(3,903)
Other expenses	(7,730)	5,688
	(15,323)	(1,303)

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions As no readily available market exists for large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument.

As at December 31, 2018 and 2017 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and cash equivalents - The carrying amount represents their fair value.

Trade and other receivables - The carrying amount is considered a reasonable estimate of their fair value as the allowance for estimated doubtful amounts is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Trade and other payables - The carrying amount is a reasonable estimate of their fair value due to their current nature.

Non-current borrowing - The carrying amount is considered a reasonable estimate of their fair value as applied interest rate on non-current borrowings is considered to be a reasonable approximation of the market rate with reference to loans with similar credit risk level and maturity period at the reporting date.

Fair values are primarily determined using quoted market prices or standard pricing models using observable market inputs where available and are presented to reflect the expected gross future cash in/outflows. The Group classifies the fair values of its financial instruments into a three level hierarchy based on the degree of the source and observability of the inputs that are used to derive the fair value of the financial asset or liability as follows:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date; or

Level 2 Inputs other than quoted inputs included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; or

(in thousand Tajik somoni, unless otherwise stated)

Level 3 Unobservable inputs for the assets or liabilities, requiring the Group to make market based assumptions.

Level 1 classifications primarily include financial assets and financial liabilities that are exchange traded, whereas

Level 2 classifications primarily include financial assets and financial liabilities which derive their fair value primarily from exchange quotes and readily observable quotes.

Level 3 classifications primarily include financial assets and financial liabilities which derive their fair value predominately from models that use applicable market based estimates surrounding location, quality and credit differentials. In circumstances where the Group cannot verify fair value with observable market inputs (Level 3 fair values), it is possible that a different valuation model could produce a materially different estimate of fair value.

It is the Group’s policy that transactions and activities in trade related financial instruments be concluded under master netting agreements or long form confirmations to enable balances due to/from a common counterparty to be offset in the event of default, insolvency or bankruptcy by the counterparty.

The following tables show the fair values of financial assets and financial liabilities as at December 31, 2018 and 2017. Other assets and liabilities which are measured at fair value on a recurring basis are cash and cash equivalents. There are no nonrecurring fair value measurements.

	Level 1	**Level 2**	**Level 3**	**December 31, 2018 Total**
FINANCIAL ASSETS:				
Cash and cash equivalents	140,264	-	-	140,264
Trade and other accounts receivable	-	-	645,456	645,456
Non-current investments	-	-	182,401	182,401
TOTAL FINANCIAL ASSETS	140,264	-	827,857	968,121
FINANCIAL LIABILITIES:				
Current trade and other accounts Payable	-	-	3,016,687	3,016,687
Non-current trade and other accounts payable	-	-	905,479	905,479
Current borrowed funds	-	6,052,002	-	6,052,002
Non-current borrowed funds	-	10,785,615	-	10,785,615
Other short-term payables and accrued expenses	-	-	3,758,358	3,758,358
TOTAL FINANCIAL LIABILITIES	-	16,837,617	7,680,524	24,518,141

(in thousand Tajik somoni, unless otherwise stated)

	Level 1	Level 2	Level 3	December 31, 2017 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	61,469	-	-	61,469
Trade and other accounts receivable	-	-	544,053	544,053
Non-current investments	-	-	182,401	182,401
TOTAL FINANCIAL ASSETS	61,469	-	726,454	787,923
FINANCIAL LIABILITIES:				
Current trade and other accounts Payable	-	-	2,138,724	2,138,724
Non-current trade and other accounts payable	-	-	912,149	912,149
Current borrowed funds	-	4,762,596	-	4,762,596
Non-current borrowed funds	-	9,370,565	-	9,370,565
Other short-term payables and accrued expenses	-	-	2,774,795	2,774,795
	-			
TOTAL FINANCIAL LIABILITIES	-	14,133,161	5,825,668	19,958,829

29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Social commitments and pensions and retirement plans

The Group incurs expenses on development and maintenance of social objects and welfare of its employees and other social needs.

Employees of the Group receive pension benefits in accordance with the laws and regulations of the Republic of Tajikistan.

As at December 31, 2018 and 2017 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

(b) Insurance

As at December 31, 2018 and 2017 the Group had no insurance coverage in respect of its assets, activities and its public obligations and other risks, to be insured. Since the absence of insurance does not mean reducing the cost of the assets or incurrence of liabilities, provisions were not considered in the consolidated financial statements for uncertain losses.

(c) Environment protection issues

Official laws of the Republic of Tajikistan #58 "On environment protection" dated June 15, 2004, and #228 "On air protection" dated February 1, 1996, are aimed to protect atmosphere from pollution and established maximum permissible level of emission of harmful substances.

Integrated control and permits for allowable emissions of pollutants are conducted in accordance with the article 11 “Basic requirements for the valuation of atmosphere air quality” and article 13 “Measurement and control of emissions into the atmosphere”.

The Republic of Tajikistan has acceded to the Kyoto Protocol and ratified it on November 22, 2008. After the ratification of Kyoto Protocol coordination is assigned to Committee for environmental protection under the Government of the Republic of Tajikistan.

Legislation for environmental protection in the Republic of Tajikistan is in the process of development and government agencies continuously revise standards for the application of such legislation. The Group periodically evaluates its obligations under environmental regulations. As obligations are defined, they are recognized immediately in the consolidated statements. Potential liabilities that may arise as a result of changes in existing regulations, litigation in civil cases or legislation cannot be estimated with any certainty, but could be significant. Under the existing system of control and penalties for non-compliance with the existing legislation, Management believes that at the moment there are no significant liabilities related to environmental damage.

(d) Litigation

In Management’s opinion at present time there are no any pending legal proceedings or other claims, which could have a material adverse effect on the financial results and financial position of the Group, or which would not be accrued or disclosed in these consolidated financial statements.

(e) Technical risks

Reconstruction of the electric power industry is dictated by the current situation in the energy sector due to the rapid deterioration of the technical condition of the fixed assets of the Group. Implementation of current and capital repairs is not enough; new construction, rehabilitation, reconstruction and technical re-equipment are required in accordance with technical progress. Thus, technical risk of impairment is high.

(f) Capital commitments

As at December 31, 2018 and 2017 the Group’s capital commitments to continue financing the constructions and maintenance of infrastructure for generation, transmission and distribution of the electricity in the Republic of Tajikistan amounted to 583,433 thousand somoni and 669,851 thousand somoni respectively.

(g) Liabilities with counterparties

The Group’s trade and other accounts payable include a liability towards the supplier HPP “Sangtuda 2”. HPP “Sangtuda-2” charged penalties for the Group's accounts payable due to overdue payment for electricity. The Management of the Group believes that the amount of penalties will not be claimed by the HPP “Sangtuda-2” and probability of payment of penalties is remote.

30. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

(in thousand Tajik somoni, unless otherwise stated)

Transactions with state companies

The Group applies the exemption from the application of IAS 24, disclosures in respect of related party transactions and balances and transactions, including commitments, because it is associated with the state organization. Accordingly, the Group discloses the nature of their relationship with the Government, the description and the amount of each operation that is significant, individually or in the aggregate.

The following amounts in the consolidated statement of financial position as at December 31, 2018 and 2017 arose from transactions with related parties:

	December 31, 2018		December 31, 2017	
	Related party transactions	Total category as per the consolidated financial statements caption	Related party transactions	Total category as per the consolidated financial statements caption
Non-current investments	31,603	182,401	31,603	182,401
Trade and other accounts receivable	306,530	645,456	257,864	544,053
Cash and cash equivalents	136,433	140,264	55,770	61,469
Non-current borrowed funds	9,087,433	10,785,615	7,884,799	9,370,565
Current borrowed funds	3,258,155	6,052,002	2,543,760	4,762,596
Other payables and accrued expenses	3,737,088	3,776,833	2,753,645	2,788,649

The following amounts were included in the consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2018 and 2017 which arose due to transactions with related parties:

	2018		2017	
	Related party transactions	Total category as per the consolidated financial statements caption	Related party transactions	Total category as per the consolidated financial statements caption
Revenue	524,703	2,684,735	478,649	2,113,647
Cost of sales	627,766	1,956,333	507,800	1,514,288
Selling expenses	190,026	935,406	70,568	590,383
Financial loss	473,599	1,752,612	317,244	1,319,885

For the years ended December 31, 2018 and 2017 the remuneration of key management was as follows:

	December 31, 2018	December 31, 2017
Salary and bonuses	351	287
Contributions to social fund	88	72
	439	359

(in thousand Tajik somoni, unless otherwise stated)

31. FINANCIAL RISKS MANAGEMENT

Main financial liabilities of the Group include loans, trade and other payables and agreements of financial guarantee. Main purpose of these financial liabilities is financing Group's operations and support of its activity.

Group has trade and other receivables, cash and cash equivalents and current deposits, which directly arise in the course of Group's operational activity.

The Group is subject to market risk, credit risk and liquidity risk.

Management of the Group controls risk management process. Management reviews and approves risk management policy.

Prior to placement of Group's shares, duties of Superior Body are performed by the Government of the Republic of Tajikistan. Exclusive powers of Superior Body are:

- Determination of main directions of Group's activity, approval of annual reports and financial statements,
- Amending of Group's charter, including change of its share capital,
- Election of members of auditing committee (inspector) of the Group and their dismissal,
- Approval of Audit committee reports,
- Taking decision on acquisition of shares, issued by the Group,
- Taking decision on reorganisation and liquidation of the Group, assignment of liquidation committee and approval of liquidation balance sheet,
- Election of Group's Chairman and his termination,
- Exercise of other powers, prescribed by laws of the Republic of Tajikistan and charter of the Group.

Geographical concentration

The geographical concentration of assets and liabilities are disclosed below:

	Republic of Tajikistan	OECD countries	Other	2018 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	140,264	-	-	140,264
Trade and other accounts receivable	589,159	-	56,297	645,456
Non-current investments	182,401	-	-	182,401
TOTAL FINANCIAL ASSETS	911,824	-	56,297	968,121
FINANCIAL LIABILITIES:				
Current trade and other accounts payable	2,618,681	17,436	380,570	3,016,687
Non-current trade and other accounts payable	905,479	-	-	905,479
Current borrowed funds	6,018,363	33,639	-	6,052,002
Non-current borrowed funds	10,714,436	71,179	-	10,785,615
Other current payables and accrued expenses	3,758,358	-	-	3,758,358
TOTAL FINANCIAL LIABILITIES	24,015,317	122,254	380,570	24,518,141

(in thousand Tajik somoni, unless otherwise stated)

	Republic of Tajikistan	OECD countries	Other	2017 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	61,469	-	-	61,469
Trade and other accounts receivable	527,232	-	16,821	544,053
Non-current investments	182,401			182,401
TOTAL FINANCIAL ASSETS	771,102	-	16,821	787,923
FINANCIAL LIABILITIES:				
Current trade and other accounts payable	2,066,060	36,987	35,677	2,138,724
Non-current trade and other accounts payable	905,479	-	6,670	912,149
Current borrowed funds	4,721,717	40,879	-	4,762,596
Non-current borrowed funds	9,306,882	63,683	-	9,370,565
Other current payables and accrued expenses	2,774,795	-	-	2,774,795
TOTAL FINANCIAL LIABILITIES	19,774,933	141,549	42,347	19,958,829

Market risk

Market risk is a risk of possible fluctuations of the fair value of future cash flows as a result of changes in market prices. Market prices include four types of risks: interest rate risk, currency risk, risk of price change and other price risks. Financial instruments, which are subject to market risk, include loans, deposits.

Sensitivity analysis as at December 31, 2018 and 2017 is presented below.

Sensitivity analysis was prepared on the basis of assumption that amount of net debt and part of financial instruments in foreign currency is constant.

Analysis does not include effect of changes of market variables on book value of pensions and other liabilities on employee's termination, provisions and also nonfinancial assets and liabilities of subdivisions.

In preparing sensitivity analysis the following assumptions were made:

Sensitivity of relevant account of consolidated statement of profit or loss and other comprehensive income is the effect of proposed changes of relevant market risks.

The analysis was made on the basis of financial assets and financial liabilities existing as at December 31, 2018 and 2017.

Risk of price changes

Risk of price changes is the risk or uncertainty arising from possible changes in market prices and their impact on future performance and results of operational activity of the Group.

Price decrease can lead to decrease of net income and cash flows. Maintaining low prices for an extended period of time can lead to a reduction in activity and may ultimately have an impact on the Group's ability to fulfill its obligations under the contracts. Management estimates the decline as hardly probable and Group does not use derivative instruments to reduce its exposure to this risk.
The Group enters into non-current contracts for products supply on standard commercial terms; thereby the Group is not exposed to the risk of loss of revenue due to price increase on the market.

Currency risk

Currency risk is a risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in exchange rates. The Group's exposure to foreign currency exchange rates is stipulated primarily due to Group's operating activity (when sales or expenses are denominated in currencies, other than the functional currency of the Group), as well as the Group's net investment in foreign subsidiaries.

The Group exports its production to Afghanistan and countries of Central Asia, acquires equipment and materials from overseas suppliers and attracts a substantial amount of non-current loans in foreign currency. Significant concentration of currency risk lies in loans denominated in various foreign currencies (mainly in US dollars). In accordance with the Group's accounting policy, these loans were translated to somoni using exchange rates prevailed at the reporting date. However, future changes in exchange rate of somoni to US dollar are unpredictable. Future changes in exchange rates may affect the carrying value of liabilities denominated in foreign currencies.

There are strict restrictions and controls in respect of Somoni conversion into other currencies. Currently Somoni is not convertible currency outside the Republic of Tajikistan.

(in thousand Tajik somoni, unless otherwise stated)

	TJS	USD	EUR	XDR	KWD	Other	2018 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	33,206	104,887	78	-	-	2,093	140,264
Trade and other accounts receivable	589,159	56,297	-	-	-	-	645,456
Non-current investments	182,401	-	-	-	-	-	182,401
TOTAL FINANCIAL ASSETS	804,766	161,184	78	-	-	2,093	968,121
FINANCIAL LIABILITIES:							
Current trade and other accounts payable	1,233,683	1,772,939	9,951	-	-	114	3,016,687
Non-current trade and other accounts payable	905,479	-	-	-	-	-	905,479
Current borrowed funds	1,322	5,868,846	207,012	648,744	114,172	211,906	6,052,002
Non-current borrowed funds	-	8,456,247	179,916	280,367	54,959	1,814,126	10,785,615
Other current payables and accrued expenses	92,563	2,705,894	106,308	705,943	96,906	50,744	3,758,358
TOTAL FINANCIAL LIABILITIES	2,233,047	17,803,926	503,187	1,635,054	266,037	2,076,890	24,518,141
Open currency position	(1,428,281)	(17,642,742)	(503,109)	(1,635,054)	(266,037)	(2,074,797)	(23,550,020)

(in thousand Tajik somoni, unless otherwise stated)

	TJS	USD	EUR	XDR	KWD	Other	2017 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	21,801	37,969	77	-	-	1,622	61,469
Trade and other accounts receivable	527,232	16,821	-	-	-	-	544,053
Non-current investments	182,401	-	-	-	-	-	182,401
TOTAL FINANCIAL ASSETS	731,434	54,790	77	-	-	1,622	787,923
FINANCIAL LIABILITIES:							
Current trade and other accounts payable	969,224	1,144,675	24,825	-	-	-	2,138,724
Non-current trade and other accounts payable	905,479	6,670	-	-	-	-	912,149
Current borrowed funds	1,320	3,726,893	172,014	627,478	97,096	137,795	4,762,596
Non-current borrowed funds	(19)	7,561,418	188,727	305,441	56,890	1,258,108	9,370,565
Other current payables and accrued expenses	116,445	1,928,081	73,360	561,278	73,703	21,928	2,774,795
TOTAL FINANCIAL LIABILITIES	1,992,449	14,367,737	458,926	1,494,197	227,689	1,417,831	19,958,829
Open currency position	(1,261,015)	(14,312,947)	(458,849)	(1,494,197)	(227,689)	(1,416,209)	(19,170,906)

(in thousand Tajik somoni, unless otherwise stated)

Currency risk sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in the USD and XDR against the TJS for 2018 and 2017, respectively. These rates are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	2018		2017	
	Official USD exchange rate, +10%	**Official USD exchange rate, -10%**	**Official USD exchange rate, +10%**	**Official USD exchange rate, -10%**
Impact on profit and loss	(1,764,274)	1,764,274	(1,431,295)	1,431,295

	2018		2017	
	Official XDR exchange rate, +10%	**Official XDR exchange rate, -10%**	**Official XDR exchange rate, +10%**	**Official XDR exchange rate, -10%**
Impact on profit and loss	(163,505)	163,505	(149,420)	149,420

The Group is not exposed to interest rate risk as the amount of the Group's borrowings raised with floating rate is insignificant.

Credit risk

Credit risk is a risk that the Group will incur financial loss because the counterparties fail to meet their obligations under financial instrument or client contract. The Group is exposed to credit risk related to its operating activity (primarily, trade receivables).

Trade accounts receivable

Credit risk management associated with customers is performed by each subsidiary in accordance with the policies, procedures and control system established by the Group in respect of credit risk management associated with customers. Regular monitoring of outstanding accounts receivable is carried out.

Financial assets of the Group, which are potentially subject to credit risk, compose primarily of trade receivables.

In 2018 the percentage of money collection for the sold energy in the whole group was 86% (accrued – 3,078,651 thousand somoni VAT inclusive, paid – 2,633,181 thousand somoni), including Tajik Aluminium Plant 104% (accrued – 230,541 thousand somoni VAT inclusive, paid – 238,829 thousand somoni).

In 2017 the percentage of money collection for the sold energy in the whole group was 86% (accrued – 2,450,318 thousand somoni VAT inclusive, paid – 2,107,238 thousand somoni), including Tajik Aluminium Plant 96,8% (accrued – 241,294 thousand somoni VAT inclusive, paid – 233,066 thousand somoni).

Approximately 7% of all sales in 2018 (10% in 2017) were supplied to the largest industrial consumer Tajik Aluminum Plant (TALCO), which is currently controlled by the Government of the Republic of Tajikistan.

The carrying value of accounts receivable, net of allowance for doubtful debt, represents the maximum amount exposed to credit risk.

Need for impairment recognition is reviewed at each reporting date, individually for each large entity. In addition, the amounts due from a large number of individuals are grouped into homogeneous groups and assessed for impairment on a collective basis. The calculations are based on the information on actual losses incurred in the past. The maximum exposure to credit risk at the reporting date is presented by the book value of each class of financial assets. The Group does not have the property received as security for the debt owed to it.

Although collection of receivables could be influenced by economic factors, Management believes that there is no substantial risk of loss beyond the provision for impairment of receivables.

Liquidity risk

Group exercises control over the risk of shortage of funds using a recurring liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and payment by installments contracts.

The Group has access to financing in sufficient amounts and terms of loans to be paid within 12 months may be postponed to a later date by agreement with current creditors.

The following table summarizes the contractual undiscounted payments on financial liabilities of the Group by maturity.

(in thousand Tajik somoni, unless otherwise stated)

	Less than 1 month	1 – 3 months	3 months - 1 year	1-5 years	More than 5 years	Undefined	2018 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	140,264	-	-	-	-	-	140,264
Trade and other accounts receivable	645,456	-	-	-	-	-	645,456
Non-current investments	-	-	-	-	-	182,401	182,401
TOTAL FINANCIAL ASSETS	785,720	-	-	-	-	182,401	968,121
FINANCIAL LIABILITIES:							
Current trade and other accounts payable	3,016,687	-	-	-	-	-	3,016,687
Non-current trade and other accounts payable	-	-	-	-	-	905,479	905,479
Current borrowed funds	5,485,059	49,274	517,669	-	-	-	6,052,002
Non-current borrowed funds	-	-	-	5,549,975	5,235,640	-	10,785,615
Other current payables and accrued expenses	3,758,358	-	-	-	-	-	3,758,358
TOTAL FINANCIAL LIABILITIES	12,260,104	49,274	517,669	5,549,975	5,235,640	905,479	24,518,141
Difference between financial assets and liabilities	(11,474,384)	(49,274)	(517,669)	(5,549,975)	(5,235,640)	(723,078)	(23,550,020)

(in thousand Tajik somoni, unless otherwise stated)

	Less than 1 month	1 – 3 months	3 months - 1 year	1-5 years	More than 5 years	Undefined	2017 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	61,469	-	-	-	-	-	61,469
Trade and other accounts receivable	544,053	-	-	-	-	-	544,053
Non-current investments	-	-	-	-	-	182,401	182,401
TOTAL FINANCIAL ASSETS	605,522	-	-	-	-	182,401	787,923
FINANCIAL LIABILITIES:							
Current trade and other accounts payable	969,224	1,144,675	24,825	-	-	-	2,138,724
Non-current trade and other accounts payable	-	-	-	6,670	-	905,479	912,149
Current borrowed funds	4,316,027	50,046	396,523	-	-	-	4,762,596
Non-current borrowed funds	-	-	-	3,922,422	5,448,143	-	9,370,565
Other current payables and accrued expenses	2,774,795	-	-	-	-	-	2,774,795
TOTAL FINANCIAL LIABILITIES	8,060,046	1,194,721	421,348	3,929,092	5,448,143	905,479	19,958,829
Difference between financial assets and liabilities	(7,454,524)	(1,194,721)	(421,348)	(3,929,092)	(5,448,143)	(723,078)	(19,170,906)

(in thousand Tajik somoni, unless otherwise stated)

Analysis of undiscounted financial liabilities

The table below shows the distribution of the Group's obligations as at December 31, 2018 and 2017 based on contractual undiscounted cash flows.

FINANCIAL LIABILITIES:	Less than 1 month	1 – 3 months	3 months – 1 year	1-5 years	More than 5 years	Undefined	2018 Total
Current trade and other accounts payable	3,016,687	-	-	-	-	-	3,016,687
Non-current trade and other accounts payable	-	-	-	-	-	905,479	905,479
Current borrowed funds	5,485,059	49,274	518,614	-	-		6,052,947
Non-current borrowed Funds	-	-	-	5,588,218	5,480,957	-	11,069,175
Other current payables and accrued expenses	3,758,358	-	-	-	-	-	3,758,358
TOTAL FINANCIAL LIABILITIES	12,260,104	49,274	518,614	5,588,218	5,480,957	905,479	24,802,646

FINANCIAL LIABILITIES:	Less than 1 month	1 – 3 months	3 months - 1 year	1-5 years	More than 5 years	Undefined	2017 Total
Current trade and other accounts payable	969,224	1,144,675	24,825	-	-	-	2,138,724
Non-current trade and other accounts payable	-	-	-	6,670	-	905,479	912,149
Current borrowed funds	4,316,027	132,538	397,257	-	-	-	4,845,822
Non-current borrowed Funds	-	-	-	3,977,367	5,593,468	-	9,570,835
Other current payables and accrued expenses	2,774,795	-	-	-	-	-	2,774,795
TOTAL FINANCIAL LIABILITIES	8,060,046	1,277,213	422,082	3,984,037	5,593,468	905,479	20,242,325

Capital management

Capital includes capital owned by the Government of the Republic of Tajikistan.

The main objective of the Group’s capital management is to ensure strong credit worthiness and an adequate level of capital to conduct its operations and maximize shareholder value.

The Group manages its capital structure and its changes in response to changes of economic conditions.

For the year ended December 31, 2018 and 2017 no changes were made in the objectives, policies and processes for managing capital.

32. SUBSEQUENT EVENTS

On June 22, 2019, due to Decree of the Government of the Republic of Tajikistan No. 329 the price of electricity was increased by 17% sold by the Barqi Tojik.

At the date of the issue of the consolidated financial statements of the Group there were no events, except described above that must be disclosed in the consolidated financial statements in accordance with IAS 10 “Events after the reporting period”.