OPEN STOCK HOLDING COMPANY "BARQI TOJIK"

Consolidated financial statements
for the year ended December 31, 2019

and independent auditors' report

OSHC "BARQI TOJIK"

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OSHC "BARQI TOJIK"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 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, 2019, 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, 2019 were approved and authorized for issue on October 15, 2020 by the Management of the Group.

On behalf of the Management:

Ismoilzoda M.
Chairman

October 15, 2020
Dushanbe,
Republic of Tajikistan

Dustmukhamedov A.
Chief Accountant

October 15, 2020
Dushanbe,
Republic of Tajikistan

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INDEPENDENT AUDITOR'S REPORT

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

Qualified opinion

We have audited the accompanying financial statements of **OPEN 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, 2019, 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.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB..

Basis for qualified opinion

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.

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$108.7 mln (equivalent of TJS 1,052.6 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 108.7 mln (TJS 1,052.6 mln) and road users tax, income tax, net income and shareholders' equity would have been reduced by TJS 10.5 mln. TJS 138.2 mln and TJS 924.9 mln, respectively.

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 Consolidated 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.

SOCIETATEA CIVILĂ MOORE STEPHENS KSC ASSURANCE S.R.L. BUCUREȘTI

Material Uncertainly Related to Going Concern

We draw attention to Note 3 "Going Concern" in the financial statements, which indicates that the Group incurred a net loss of 5,771,675 thousand somoni during the year ended December 31, 2019 and, as of that date, the Group's current liabilities exceeded its current assets by 14,138,132 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 July 27, 2020 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

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.

c. We draw attention to Note 5 „ Critical accounting estimates and professional judgements in applying accounting policy" which describe the key assumptions and estimates used for the revaluation of the Property, plant and equipment. 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.

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit 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 matters described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our audit report. For each matter below, our description of how our audit addressed the matter is provided is that context.

SOCIETATEA CIVILĂ MOORE STEPHENS KSC ASSURANCE S.R.L. BUCUREȘTI

Valuation of property plant equipment carried at revalued amount **Refer to Note 6 to the consolidated financial statements**	
Key audit matter/Risk	**How the key audit matter was addressed in the audit**
Refer to note 5 & 6 to the consolidated financial statements: The Group's Property, Plant and Equipment amounts for the year ended 31 December 2019 TJS 17,266,934 thousand. The value of Property, plant and Equipment is measured at fair value. The fair value is determined using discounted cash flows in the absence of comparable market data because of the nature of the properties. The effect of the valuation includes an impairment loss amounting to TJS 3,201,698 thousand recorded in the consolidated statement of profit or loss and fair value gain amounting to TJS 5,730,298 thousand recorded as other comprehensive income. Due to the level of judgment involved in the valuation of Property, Plant and Equipment, complexity of the governance structure as well as the significance of Property, Plant and equipment. to the Group's financial position, this is considered to be a key audit matter.	Our procedures in relation to the fair value assessment of property plant and equipment included, among others: • Gained understanding over the management review and monitoring controls for interpretation of group policy and IAS 16 standard; • Assessing the methodologies used by the external valuer to estimate the discounted cash-flows; • Evaluating the independent external valuer's competence, capabilities and objectivity; • Testing, on a sample basis, the accuracy and relevance of the input data provided by management to the external valuer; • Assessing management's key assumptions used to estimate the discounted cash-flows knowledge of the electricity services industry; and • Considering the potential impact of reasonably possible downside changes in these key assumptions. We also evaluated the appropriateness of the disclosures relating to the assumptions and sensitivity of such assumptions in Note 6 to the consolidated financial statements

Other matter

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.

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

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.

SOCIETATEA CIVILĂ MOORE STEPHENS KSC ASSURANCE S.R.L. BUCUREȘTI

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

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.

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.

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.

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

October 15, 2020

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

OSHC "BARQI TOJIK"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019
(in thousands Tajik somoni)

	Notes	December 31, 2019	December 31, 2018
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	6	17,266,934	14,151,665
Intangible assets		11,424	12,148
Non-current advances paid	7	1,076,760	621,062
Non-current investments	8	182,401	182,401
Other non-current assets		122	120
TOTAL NON-CURRENT ASSETS		18,537,641	14,967,396
CURRENT ASSETS:			
Inventories	9	750,501	557,397
Trade and other accounts receivable	10	822,806	645,456
Current advances paid	11	214,147	187,793
Taxes paid in advance		1,845	156
Cash and cash equivalents	12	270,188	140,264
TOTAL CURRENT ASSETS		2,059,487	1,531,066
TOTAL ASSETS		20,597,128	16,498,462
EQUITY AND LIABILITIES:			
EQUITY:			
Share capital	13	751,751	653,279
Revaluation reserve on property, plant and equipment	6	9,433,190	3,976,247
Reserve capital		24,302	24,302
Accumulated deficit		(19,243,994)	(13,745,674)
TOTAL EQUITY		(9,034,751)	(9,091,846)
NON-CURRENT LIABILITIES:			
Non-current borrowed funds	14	11,512,671	10,785,615
Non-current portion of deferred income	15	1,016,110	869,430
Non-current trade and other accounts payable	16	905,479	905,479
TOTAL NON-CURRENT LIABILITIES		13,434,260	12,560,524

OSHC "BARQI TOJIK"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019 (CONTINUED)
(in thousands Tajik somoni)

	Notes	December 31, 2019	December 31, 2018
CURRENT LIABILITIES:			
Current borrowed funds	14	7,383,655	6,052,002
Current portion of deferred income	15	10,570	7,902
Trade and other accounts payable	17	3,745,524	3,016,687
Advances received	18	109,092	128,075
Taxes payable	19	59,600	48,285
Other payables and accrued expenses	20	4,889,178	3,776,833
TOTAL CURRENT LIABILITIES		16,197,619	13,029,784
TOTAL LIABILITIES		29,631,879	25,590,308
TOTAL EQUITY AND LIABILITIES		20,597,128	16,498,462

On behalf of the Management:

Ismoilzoda M.
Chairman

October 15, 2020
Dushanbe,
Republic of Tajikistan

Dustmukhamedov A.
Chief Accountant

October 15, 2020
Dushanbe,
Republic of Tajikistan

The notes on pages 13-66 form an integral part of the consolidated financial statements.
The Independent Auditors' Report is on pages 3-6.

OSHC "BARQI TOJIK"

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

(in thousands Tajik somoni)

	Notes	Year ended December 31, 2019	Year ended December 31, 2018
Revenue	22	3,262,951	2,684,735
Cost of sales	23	(2,411,991)	(1,956,333)
GROSS PROFIT		850,960	728,402
Selling expenses	24	(1,016,302)	(935,406)
General and administrative expenses	25	(112,417)	(95,886)
Net loss on foreign exchange operations		(563,719)	(1,228,563)
Financial gain	26	(2,443)	(11,523)
Financial loss	26	(2,006,316)	(1,752,612)
Other non-operating loss, net	27	(2,883,052)	(16,120)
LOSS BEFORE INCOME TAX		(5,733,289)	(3,311,708)
Income tax expenses	21	(38,386)	(31,608)
NET OPERATING LOSS		(5,771,675)	(3,343,316)
Other comprehensive income/(loss)		5,730,298	-
TOTAL COMPREHENSIVE LOSS		(41,377)	(3,343,316)

On behalf of the Management:

Ismoilzoda M.
Chairman

October 15, 2020
Dushanbe,
Republic of Tajikistan

Dustmukhamedov A.
Chief Accountant

October 15, 2020
Dushanbe,
Republic of Tajikistan

The notes on pages 13-66 form an integral part of the consolidated financial statements.
The Independent Auditors' Report is on pages .3-6

OSHC "BARQI TOJIK"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(in thousands Tajik somoni)

	Notes	Share capital	Reserve capital	Revaluation reserve on property, plant and equipment	Accumulated deficit	Total equity
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		-	-	-	(3,343,316)	(3,343,316)
Balance at December 31, 2018	13	653,279	24,302	3,976,247	(13,745,674)	(9,091,846)
Increase of charter capital		98,472	-	-	-	98,472
Amortization of revaluation of property, plant and equipment		-	-	(273,355)	273,355	-
Recognition of revaluation of property plant and equipment		-	-	5,730,298	-	5,730,298
Loss for the year		-	-	-	(5,771,675)	(5,771,675)
Balance at December 31, 2019		751,751	24,302	9,433,190	(19,243,994)	(9,034,751)

On behalf of the Management:

Ismoilzoda M.
Chairman

October 15, 2020
Dushanbe, Republic of Tajikistan

Dustmukhamedov A.
Chief Accountant

October 15, 2020
Dushanbe, Republic of Tajikistan

The notes on pages 13-66 form an integral part of the consolidated financial statements. The Independent Auditors' Report is on pages .3-6

OSHC "BARQI TOJIK"

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(in thousands Tajik somoni)

	Notes	Year ended December 31, 2019	Year ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Proceeds from energy sales		3,345,570	2,634,931
Other income from operations		29,248	5,742
Total cash inflow from operating activity		3,374,818	2,640,673
Inventory purchase		(1,450,735)	(960,929)
Electricity purchase		(494,021)	(408,173)
Payroll and social tax		(314,458)	(293,076)
Payment for services		(42,552)	(83,280)
Interest payment		(537,829)	(446,269)
Income tax payment		(40,067)	(32,528)
Other taxes payment		(444,582)	(373,698)
Other operating payments		(46,782)	(22,807)
Total cash outflow from operating activity		(3,371,026)	(2,620,761)
Net cash outflow from operating activities		3,792	19,912
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(43,773)	(38,234)
Net cash outflow from investing activities		(43,773)	(38,234)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		2,332,379	358,790
Principal payments of loans received		(2,164,340)	(262,734)
Net cash inflow from financing activities		168,039	96,056

CONSOILDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED)
(in thousands Tajik somoni)

	Notes	Year ended December 31, 2019	Year ended December 31, 2018
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		128,058	77,734
Effect of exchange rate changes on the balance of cash held in foreign currencies		1,866	1,061
CASH AND CASH EQUIVALENTS, at the beginning of the year	12	140,264	61,469
CASH AND CASH EQUIVALENTS, at the end of the year	12	270,188	140,264

For the years ended December 31, 2019 and 2018, the Group has acquired and constructed fixed assets which were financed by loans and grants to the amount of 976,940 thousand somoni and 1,177,101, 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, 2019 and 2018 the Group repaid borrowings for the amount of 144,253 thousand somoni and 128,824 thousand somoni, respectively, via the current account in the Ministry of Finance of the Republic of Tajikistan. Also in 2019 year was offset trade accounts receivable of Group and liabilities of taxes for the amount 17,209 thousand somoni.

In 2019 share capital of the Group was increased by 98,472 thousand somoni in accordance with the Decree of the Government of the Republic of Tajikistan # 646 dated December 30, 2019. 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

October 15, 2020
Dushanbe,
Republic of Tajikistan

Dustmukhamedov A.
Chief Accountant

October 15, 2020
Dushanbe,
Republic of Tajikistan

The notes on pages 13-66 form an integral part of the consolidated financial statements.
The Independent Auditors' Report is on pages 3-6.

1. GENERAL INFORMATION

Open 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, 2019 and 2018, 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 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 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

1. GENERAL INFORMATION (continued)

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"

OSHC "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 OSHC "Barqi Tojik" in the authorized capital of the subsidiary is 100%.

As at December 31, 2019 and 2018 the Group had 11,233 and 11,230 employees, respectively.

The consolidated financial statements were authorized for issue by the Group's management on October 15, 2020.

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.

2. OPERATING ENVIRONMENT (continued)

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"), This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Notes. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

Due to 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.

3. PRESENTATION OF FINANCIAL STATEMENTS (continued)

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.

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 5,771,675 and 3,343,316 thousand somoni for the year ended December 31, 2019, 2018 and, as at that date its current liabilities exceeded its current assets by 14,138,132 thousand somoni, and accumulated deficit amounted to 19,243,994 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, 2019 and 2018.

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.

3. PRESENTATION OF FINANCIAL STATEMENTS (continued)

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.

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. Revenue from sale of electricity is recognised in the consolidated financial statements net of valued added tax (VAT).

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, 2019	**December 31, 2018**
Somoni / USD	9.6872	9.4296
Somoni / EUR	10.8448	10.8007
Somoni / Russian rouble	0.156	0.1356
Somoni / XDR	13.3958	13.1146

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 lines at historical cost in foreign currency are recognised at exchange rate effective at the date of initial transaction. Non-monetary lines at revalued method in foreign currency are recognised at the exchange rate effective at the date of consideration of fair value. Gains and losses arising from non-monetary items are treated same as gains and losses from foreign currency transactions.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 held-for-sale 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.
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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

In 2019, after revaluation 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

incurred. Borrowing costs include the payment for interest and other expenses, incurred by the Group in respect of borrowings.

Financial instruments – initial recognition and subsequent measurement

(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 fixe 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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 derecognized 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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 an 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Group has adopted the following new or revised standards and interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the "IFRIC") which became effective for the Group's financial statement for the year ended December 31, 2019:

- 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

- IFRIC 23 "Uncertainty over Income Tax Treatments" addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 "Income taxes".
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" clarifies that an entity applies IFRS 9 "Financial Instruments" to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Amendments to IFRS 9 "Financial Instruments" change the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
- Amendments to IAS 19 "Employee benefits" clarify the following: if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement; in addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.
- The amendments to IFRS 3 "Business Combinations" clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
- The amendments to IFRS 11 "Joint Arrangements" clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- The amendments to IAS 23 "Borrowing costs" clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The adoption of the new or revised standards did not have significant effect on the financial position or performance of the Group.

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, 2019 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.

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:

- The amendments to IFRS 3 "Business Combinations" clarify and distinguish between accounting methods to be used when the investor acquires a business or when the investor acquires just a group of assets.
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" clarify that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Group intends to adopt these new standards and amendments, if applicable, when they become effective.

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

5. CRITICAL ACCOUNTING ESTIMATES AND PROFESSIONAL JUDGEMENTS IN APPLYING ACCOUNTING POLICY (continued)

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.

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 4.10% per annum as at December 31, 2019 (4.11% as at December 31, 2018), 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 Property, Plant and Equipment have been revalued using the work of an external valuator. The methodology applied was discounted cash-flow in the absence of comparable assets in the market. The following assumptions were used by the during the revaluation of property, plant and equipment. 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.

	Assumptions	**Forecast period**								**After-forecast period**
		2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	
a)	Profitability	0%	0%	0%	0%	0%	0%	0%	0%	14,1%
b)	Discount rate	14,89%	14,89%	14,89%	14,89%	14,89%	14,89%	14,89%	14,89%	14,89%
c)	Technological energy losses of transmission	16,3%	16,3%	16,3%	16,3%	16,3%	16,3%	16,3%	16,3%	16,3%
d)	Collection rate	90%	90%	90%	90%	90%	90%	90%	90%	90%
e)	COVID-19 effect	0%	0%	0%	0%	0%	0%	0%	0%	0%

6. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2019 and 2018 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, 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
Additions	5,267	52,108	1,008	701,008	759,391
Transfer from inventory	7,178	51,831	(14,295)	449,591	494,305
Transfer to inventory	-	(272)	-	(37,903)	(38,175)
Internal movement	237,727	454,729	(10,167)	(682,289)	-
Disposals	(1,774)	(11,006)	(360)	(4,041)	(17,181)
Decrease of book value via impairment of fixed assets	(1,716,633)	(2,636,470)	(28,287)	(579,454)	(4,960,844)
Revaluation surplus recognition	4,893,248	987,634	5,983	244	5,887,109
December 31, 2019	9,375,323	9,060,851	169,737	1,979,399	20,585,310
Accumulated depreciation					
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 installation	-	1,257	3	1	1,261
December 31, 2018	1,506,931	2,597,496	88,230	116,383	4,309,040
Charge for the period	165,683	436,623	14,474	-	616,780
Disposals	(521)	(2,744)	(1,755)	-	(5,020)
Internal movement	1,962	4,591	694	(7,246)	-
Increase of book value via accumulated depreciation	(577,228)	(1,013,677)	(11,519)	-	(1,602,424)
December 31, 2019	1,096,827	2,022,289	90,124	109,137	3,318,376
Net book value					
at December 31, 2018	4,443,379	7,564,801	127,625	2,015,860	14,151,665
at December 31, 2019	8,278,496	7,038,562	79,613	1,870,262	17,266,934

As at December 31, 2019 and 2018 fixed assets and construction in progress were not insured.
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.

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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, 2019 and 2018 amount of deferred income equaled to 120,921 thousand somoni and 129,280 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 2019 and 2018, the Group capitalized 63,618 thousand somoni and 33,042 thousand somoni, respectively, on the cost of construction in progress.

As of December 31, 2019 amount of fully depreciated property and equipment equaled to 474,973 thousand somoni.

As at December 31, 2019 and 2018 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, 2019 and 2018 net book value of Baipaza hydropower station fixed assets equaled to 652,804 thousand somoni and 429,922 thousand somoni, respectively.

The Group adopted a revaluation model for property and equipment accounting in accordance with IAS 16 Property, plant and equipment. In 2020 was performed and recognized revaluation of property, plant and equipment as of December 31, 2019.

As at December 31, 2019 the Group's property plant and equipment historical and fair value cost are as follows:

Group of property plant and equipment	Historical amount	Fair value
Buildings and constructions	1,409,003	8,278,496
Machinery and equipment	7,095,334	7,038,562
Other	81,444	79,614
Construction in progress and equipment for installation	2,449,572	1,870,262
TOTAL	11,035,353	17,266,934

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, 2019 and 2018 the Group's non-current advances paid are as follows:

	December 31, 2019	December 31, 2018
Non-current advances paid	1,115,033	621,062
Allowance for doubtful non-current advances paid	(38,273)	-
	1,076,760	621,062

As at December 31, 2019 and 2018 non-current advances paid include advances for the construction of production facilities and supply of equipment.

7. NON-CURRENT ADVANCES PAID (continued)

The movement in allowance for doubtful non-current advances paid for the years ended December 31, 2019 and 2018 is presented as follows:

	2019	2018
at January 1	-	-
Accrual of allowance	38,273	-
at December 31	38,273	-

8. NON-CURRENT INVESTMENTS

As at December 31, 2019 and 2018 the Group's non-current investments are as follows:

	December 31, 2019	December 31, 2018
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 "Rogun 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.

8. NON-CURRENT INVESTMENTS (continued)

The movement in allowance for impairment of non-current investments for the years ended December 31, 2019 and 2018 is presented as follows:

	2019	2018
at January 1	112	112
Recovery of allowance	-	-
at December 31	112	112

9. INVENTORIES

As at December 31, 2019 and 2018 inventories of the Group are as follows:

	December 31, 2019	December 31, 2018
Materials	362,383	420,720
Fuel and lubricants	245,464	169,400
Spare parts	81,038	153,358
Supplies and others	44,325	47,018
Low valuable items	15,627	23,963
Construction materials	1,664	2,888
Allowance for cost decrease to net realizable value and obsolete inventories	-	(259,950)
	750,501	557,397

The movement in allowance for cost decrease to net realizable value and obsolete inventories for the years ended December 31, 2019 and 2018 is presented as follows:

	2019	2018
at January 1	259,950	235,630
(Recovery)/accrual of allowance	(259,950)	24,320
at December 31	-	259,950

10. TRADE AND OTHER ACCOUNTS RECEIVABLE

As at December 31, 2019 and 2018 trade and other accounts receivable of the Group are as follows:

	December 31, 2019	December 31, 2018
Accounts receivable for electricity	1,720,968	1,473,102
Accounts receivable for heat	29,017	18,217
Accounts receivable for goods and services	5,398	3,135
Other receivables	196	1,305
ECL for doubtful debts	(932,773)	(850,303)
	822,806	645,456

10. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

The movement in the ECL for doubtful debts for the years ended December 31, 2019 and 2018 is presented as follows:

	2018	2018
at January 1	850,303	540,513
Accrual of ECL	85,267	309,790
Write-off	(2,797)	-
at December 31	932,773	850,303

The most significant debtors of the Group are as follows:

	December 31, 2019	December 31, 2018
SUE "Tajik Aluminum Company"	390,076	390,774
The State Department of Land Resources and Irrigation	205,140	133,019
OJSC "Rogun HPS"	58,764	24,009
DA Afganistan Breshna Sherkat	27,692	43,072
Dushanbe heating network enterprise	27,155	16,994
"Tojikhimprom", OJSC	26,565	23,842
SUE «Dushanbevodokanal»	18,616	10,083
"Uzbekenergo", JSC	12,707	12,369
SUE "Majmuai Garmkhona"	11,125	11,038
'Kohi Navruz", LLC	3,026	2,062
'Pamir Energy", OJSC	2,480	1,924
"NEN of Kyrgyzstan"	1,719	638

11. CURRENT ADVANCES PAID

As at December 31, 2019 and 2018 current advances paid of the Group are as follows:

	December 31, 2019	December 31, 2018
Advances paid for goods and services	368,536	196,129
Advances issued for construction work	82,977	15,431
Advances to employees	1,486	568
Other advance prepayments	87	67
Allowance for doubtful advances paid	(238,939)	(24,402)
	214,147	187,793

The movement in allowance for doubtful advances paid for the years ended December 31, 2019 and 2018 is presented as follows:

	2019	2018
at January 1	24,402	14,674
Accrual of allowance	214,802	49,581
Write-off	(265)	(39,853)
at December 31	238,939	24,402

12. CASH AND CASH EQUIVALENTS

As at December 31, 2019 and 2018 cash and cash equivalents of the Group are as follows:

	December 31, 2019	December 31, 2018
Cash in bank account	269,120	139,367
Cash on hand	1,058	897
Cash in transit	10	-
	270,188	140,264

13. SHARE CAPITAL

As at December 31, 2019 and 2018 announced, issued and paid share capital of the Group amounted to 751,751 and 653,279 thousand somoni respectively.

In 2019 share capital of the Group was increased by 98,472 thousand somoni in accordance with the Decree of the Government of the Republic of Tajikistan # 646 dated December 30, 2019. 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 2019 and 2018 the Group did not announce any dividends.

14. BORROWED FUNDS

As at December 31, 2019 and 2018 non-current borrowed funds of the Group are as follows:

	December 31, 2019	December 31, 2018
Loan from the Ministry of finance of Republic of Tajikistan	9,316,522	9,087,433
Loans from OJSC "Orienbank"	2,179,620	1,909,494
Loan from the European Bank for Reconstruction and Development	332,622	72,249
Unamortized portion of discount	(299,385)	(272,736)
Unamortized portion of front-end fee	(16,708)	(10,825)
	11,512,671	10,785,615

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 4.10% per annum as at December 31, 2019 (4.11% as at December 31, 2018), which the Management of the Group has defined as the market rates on non-current borrowings.

14. BORROWED FUNDS (continued)

Movement of discount on non-current borrowed funds for the years ended December 31, 2019 and 2018 is presented as follows:

	2019	2018
at January 1	272,736	190,732
Discount recognition	41,225	119,026
Amortization	(17,062)	(38,056)
Effect of change in discount rate	(2,443)	(11,523)
Forex effect	4,929	12,557
at December 31	299,385	272,736

As at December 31, 2019 and 2018 current borrowed funds of the Group are as follows:

	December 31, 2019	December 31, 2018
Loan from the Ministry of finance of Republic of Tajikistan	3,848,636	3,258,155
Overdraft from "Amonatbank" SSB	150,000	-
Loan from the European Bank for Reconstruction and Development	79,760	9,653
Interest payable	3,293,286	2,770,677
Front-end fee payable	14,044	14,463
Unamortized portion of front-end fee	(2,071)	(946)
	7,383,655	6,052,002

As at December 31, 2019 and 2018 weighted average interest rate on borrowed funds was 5.76% and 6.9%, respectively.

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

14. BORROWED FUNDS (continued)

As at December 31, 2019 and 2018 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, 2019	December 31, 2018
№ 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%	339,585	330,555
1141P	OPEC	Expansion of energy cooperation between Tajikistan and Afghanistan	June 28, 2011	August 15, 2026	8,500 thousand USD	3%	76,593	74,556
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%	135,425	131,824
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%	530,426	516,321
Taj 021 БТ	KfW	Replacement of the 220 kV switchgear at Nurek HPP	February 3, 2009	November 01, 2033	18,000 thousand EUR	8%	195,199	194,406
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%	148,732	144,777
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%	38,779	35,232
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%	108,336	107,972
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%	535,001	520,774
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%	2,588,608	2,519,773

14. BORROWED FUNDS (continued)

Loan #	Creditor	Loan purpose	Agreement date	Maturity date	Loan amount	Interest rate	December 31, 2019	December 31, 2018
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%	113,173	109,917
IDB -0022	Islamic Development bank	Construction of small HPPs	March 18, 2005	December 30, 2029	7,623 thousand IDB	3.50%	96,779	94,747
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%	141,504	138,533
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%	85,850	83,567
2303	Asian Development Bank	Construction of intersystem electric grids	May 21, 2007	December 1, 2031	14,475 thousand XDR	Libor + 0,5%	164,951	161,488
1817	Asian Development Bank	Funding of the Power System Rehabilitation Project	August 20, 2001	December 15, 2025	26,576 thousand XDR	5.00%	153,303	238,796
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%	413,643	480,910
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%	41,018	40,157
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%	1,044,038	1,016,276
KFW-034BT	KfW	Construction of 220 kV switchgear at Nurek	June 2, 2011	May 30, 2032	7,000 thousand EUR	3%	75,911	75,602
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%	256,360	249,543
Government of Switzerland confederation	International Development Association	Funding of "Energy loss reduction project"	June 29, 2007	June 15, 2032	2,582 thousand USD	6%	22,507	21,909

14. BORROWED FUNDS (continued)

Loan #	Creditor	Loan purpose	Agreement date	Maturity date	Loan amount	Interest rate	December 31, 2019	December 31, 2018
Grant №TF096573-035 BT	Switzerland Trust Fund	Funding of "Energy loss reduction project"	December 21, 2011	September 15, 2031	3,468 thousand USD	6%	32,991	32,113
266-025	The Export-Import Bank of China	Reconstruction of Regar substation	July 31, 2013	November 21, 2033	35,043 thousand USD	6%	339,472	330,444
№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%	48,344	47,058
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%	1,476,217	1,436,962
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%	1,288,762	1,274,255
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%	755,551	522,321
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%	119,336	105,150
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%	367,230	312,891
41553	European Bank for Reconstruction and Development	Reconstruction of Kairakkum HPP	June 25, 2014	December 8, 2029	50,000 thousand USD	Libor +1%	267,015	4,125
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%	99,574	77,776
47253	European Bank for Reconstruction and Development		April 13, 2018	December 8, 2029	38,000 thousand USD	Libor +1%	47,793	-

14. BORROWED FUNDS (continued)

Loan #	Creditor	Loan purpose	Agreement date	Maturity date	Loan amount	Interest rate	December 31, 2019	December 31, 2018
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%	98,244	95,631
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		334,750	161,905
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		93,133	-
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		56,366	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%	756,691	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%	562	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%	2,422	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%	84,485	74,001
							13,577,540	**12,427,490**

15. DEFERRED INCOME

As at December 31, 2019 and 2018 deferred income of the Group comprises of current and non-current portions.

Non-current portion of deferred income:

	December 31, 2019	December 31, 2018
Deferred income on grants received from Government of the Republic of Tajikistan	661,596	543,841
Deferred income on discounting of non-current borrowed funds at the rate lower than market rate	238,506	201,541
Deferred income on fixed assets received as grant	116,008	124,048
	1,016,110	869,430

Current portion of deferred income:

	December 31, 2019	December 31, 2018
Deferred income on grants received from the Government of the Republic of Tajikistan	5,657	2,670
Deferred income on fixed assets received as grant	4,913	5,232
	10,570	7,902

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, 2019 and 2018 amount of deferred income equaled to 120,921 thousand somoni and 129,280 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, 2019 and 2018 was as follows:

	2019	2018
at January 1	201,541	86,921
Deferred income recognition	41,225	119,026
Amortization of deferred income	(4,260)	(4,406)
at December 31	238,506	201,541

15. DEFERRED INCOME (continued)

Movement of deferred income on grants received from Government of the Republic of Tajikistan for the years ended December 31, 2019 and 2018 is presented as follows:

	2019	2018
Long-term portion		
at January 1	543,841	341,749
Grants received during a year	126,404	207,701
Transferred to short-term portion	(8,649)	(5,609)
at December 31	661,596	543,841

	2019	2018
Short-term portion		
at January 1	2,670	2,639
Transferred from long-term portion	8,649	5,609
Amortized during a year	(5,662)	(5,578)
at December 31	5,657	2,670

Movement of deferred income on fixed assets received as grant for the years ended December 31, 2019 and 2018 is presented as follows:

	2019	2018
Long-term portion		
Balance as at January 1	124,048	82,513
Grants received during a year	2,439	47,577
Transferred to short-term portion	(10,479)	(6,042)
Balance as at December 31	116,008	124,048

	2019	2018
Short-term portion		
At January 1	5,232	3,864
Transferred from long-term portion	10,479	6,042
Amortized during a year	(10,798)	(4,674)
At December 31	4,913	5,232

16. NON-CURRENT TRADE AND OTHER ACCOUNTS PAYABLE

As at December 31, 2019 and 2018 non-current trade and other accounts payable of the Group are as follows:

	December 31, 2019	December 31, 2018
Accounts payable for Dushanbe HPS-2 to Government of Republic of Tajikistan	905,479	905,479
	905,479	905,479

17. TRADE AND OTHER ACCOUNTS PAYABLE

As at December 31, 2019 and 2018 trade and other accounts payable of the Group are as follows:

	December 31, 2019	December 31, 2018
Accounts payable for electricity	3,098,183	2,399,050
Accounts payable for goods and services	380,061	218,273
Accounts payable for equipment	244,250	385,287
Accounts payable for construction works	21,152	9,437
Other accounts payable	1,879	4,640
	3,745,525	3,016,687

Below is information on the largest creditors:

	December 31, 2019	December 31, 2018
Islamic Republic of Iran Company "Sangob" (HPP "Sangtuda-2")	1,637,408	1,362,530
OJSC "HPP Sangtuda-1"	1,301,719	1,015,419
Government of Republic of Tajikistan	905,479	905,479
TBEA (China)	194,395	314,943
Rogun HPP	148,116	22,364
OJSC "TajikTransGaz"	79,243	47,977
KF Shahtai Fon-Yagnob	71,736	9,447
LLC Kombinati metal Tojik	30,450	6,838
LLC "Astana and K"	20,206	-
Kalpataru Power Transmission TW4 (USD)	17,196	-
LLC "Agrotechnstroy"	10,144	3,169
CJSC "Nokili Tursunzoda"	7,317	-
The Company Genser (Turkey)	6,748	6,569
Askans LTD LLC	6,396	6,436
Uzbekenergo	6,353	6,184
LLC "Shanxi Heng Tong Ditai"	6,029	-
Grid Solutions Enerjy	5,615	-

18. ADVANCES RECEIVED

As at December 31, 2019 and 2018 advances received by the Group are as follows:

	December 31, 2019	December 31, 2018
Prepayments received for electricity	108,817	127,997
Advances received for thermal energy	272	63
Other advances received	3	15
	109,092	128,075

19. TAXES PAYABLE

As at December 31, 2019 and 2018 taxes payable of the Group are as follows:

	December 31, 2019	December 31, 2018
Value added tax payable	34,908	23,720
Social tax payable	6,648	6,417
Road tax payable	5,267	8,002
Income tax payable	4,748	2,454
Royalty tax payable	4,014	3,617
Personal income tax payable	3,621	3,751
Other taxes	394	324
	59,600	48,285

20. OTHER PAYABLES AND ACCRUED EXPENSES

As at December 31, 2019 and 2018 other payables and accrued expenses of the Group are as follows:

	December 31, 2019	December 31, 2018
Fines and penalties on overdue borrowed funds	4,842,527	3,665,819
Unused vacation provision	22,672	18,475
Salary payable	21,243	20,549
Fines and penalties on taxes	26	71,269
Other liabilities	2,710	721
	4,889,178	3,776,833

The movement in provision for unused vacation for the years ended December 31, 2019 and 2018 is presented as follows:

	2019	2018
at January 1	18,475	13,854
Accrual of provision	4,197	4,621
at December 31	22,672	18,475

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, 2019 and 2018 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, 2019 and 2018 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, 2019	**Year ended December 31, 2018**
Current income tax expenses	38,386	31,608
Changes in deferred income tax	-	-
Income tax expenses	38,386	31,608

Temporary differences as at December 31, 2019 and 2018, comprise:

	December 31, 2019	**December 31, 2018**
Deferred income tax assets:		
Tax loss carry forward	2,888,188	3,560,508
ECL for doubtful debts	932,773	850,303
Deferred income	788,173	675,790
Allowance for cost decrease to net realizable value and obsolete inventories	-	259,950
Allowance for doubtful advances paid	238,939	24,402
Allowance for doubtful non-current advances paid	38,273	
Unused vacation provision	22,672	18,475
Impairment allowance on long-term investments	113	112
Impairment of property, plant and equipment	-	1,261
Total deferred income tax assets	4,909,131	5,390,801
Deferred income tax liabilities:		
Discount on borrowed funds	60,878	71,195
Total deferred income tax liabilities	60,878	71,195
Net deferred income tax assets	4,848,253	5,319,606
Net deferred income tax assets at statutory tax rate (13%)	630,273	691,549
Allowance on net deferred income tax assets	(630,273)	(691,549)
Net deferred income tax assets less allowance	-	-

21. INCOME TAX (continued)

Temporary differences between tax accounting and current financial statement as well as tax losses lead to deferred tax liabilities as at December 31, 2019 and 2018 as a result of the following:

	December 31, 2018	Recognized in the consolidated statement of profit or loss and other comprehensive income	Recognized in equity	December 31, 2019
Temporary differences:				
Tax loss carry forward	462,866	(87,400)	-	375,466
Allowance for doubtful debts	110,539	10,721	-	121,260
Deferred income	87,853	14,609	-	102,462
Allowance for cost decrease to net realizable value inventories	33,794	(33,794)	-	-
Allowance for doubtful advances paid	3,172	27,890	-	31,062
Allowance for doubtful non-current advances paid	-	4,975	-	4,975
Unused vacation provision	2,402	545	-	2,947
Impairment allowance on long-term investments	15	-	-	15
Impairment of property, plant and equipment	164	(164)	-	-
Discount on borrowed funds	(9,256)	1,342	-	(7,914)
	691,549	(61,276)	-	630,273

	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	31,853	-	87,853
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	(64,291)	(12,659)	691,549

22. REVENUE

The Group's revenues from sales of electricity and thermal energy for the years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue from sale of electricity	3,245,498	2,673,373
Revenue from sale of thermal energy	17,453	11,362
	3,262,951	2,684,735

23. COST OF SALES

The cost of electricity and thermal energy produced for the years ended December 31, 2019 and 2018 were as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Cost of electricity	1,767,153	1,424,820
Cost of thermal energy	331,486	256,722
Technical losses on transmission of electricity	313,352	274,791
	2,411,991	1,956,333

Cost of sales includes the following articles:

	Year ended December 31, 2019	Year ended December 31, 2018
Cost of purchased electricity	1,156,074	1,003,312
Materials	497,410	379,722
Depreciation of fixed assets	389,997	303,090
Transportation cost	188,200	111,524
Salary and related taxes	107,862	103,536
Taxes other than income tax	58,716	50,717
Other	13,732	4,432
	2,411,991	1,956,333

24. SELLING EXPENSES

The selling expenses of the Group for the years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Accrual of allowance for doubtful advances paid	253,075	49,581
Depreciation of fixed assets	220,907	203,743
Salary and related taxes	211,672	185,808
Inventories	132,581	94,694
Accrual of expected credit losses for accounts receivable	85,267	309,790
Services	45,824	39,993
Fixed assets maintenance	18,285	14,940
Fuel	11,451	9,349
Business trip	3,717	3,390
Other	33,523	24,118
	1,016,302	935,406

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

25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Taxes other than income tax	64,268	41,703
Salary and related taxes	20,925	20,024
Depreciation of fixed assets	5,876	6,696
Material aid for employees	4,390	6,072
Professional services	3,991	2,729
Rent	3,318	577
Fuel	2,345	2,230
Fixed assets maintenance	1,307	1,186
Business trip	1,023	1,127
Utility	469	549
Representation expenses	393	921
Communication	309	298
Bank fees	234	193
Fines and penalties on taxes	186	5,632
Other	3,383	5,949
	112,417	95,886

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, 2019 and 2018 are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Financial gain		
Effect of change in discount rate of borrowings	(2,443)	(11,523)
	(2,443)	(11,523)
Financial loss		
Penalties on borrowed funds	1,067,643	870,433
Interest expenses	920,359	843,059
Amortization of discount on borrowed funds	17,062	38,056
Amortization of front-end fee	1,252	1,064
	2,006,316	1,752,612

27. OTHER NON-OPERATING LOSS, NET

Other non-operating gain/(loss), net for the years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Recovery/(accrual) of allowance for cost decrease to net realizable value and obsolete inventories	259,950	(24,320)
Amortization of deferred income	20,720	14,658
Inventory sales, net	7,053	6,064
Income from dividends	48	29
Loss of revaluation of fixed assets	(3,201,698)	-
Loss from disposal of property, plant and equipment	(12,161)	(2,763)
Impairment expenses for equipment of installation	-	(1,261)
Other expenses	43,036	(8,527)
	(2,883,052)	(16,120)

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, 2019 and 2018 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.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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
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, 2019 and 2018. 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.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Level 1	Level 2	Level 3	December 31, 2019 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	270,188	-	-	270,188
Trade and other accounts receivable	-	-	822,806	822,806
Non-current investments	-	-	182,401	182,401
TOTAL FINANCIAL ASSETS	270,188	-	1,005,207	1,275,395
FINANCIAL LIABILITIES:				
Current trade and other accounts Payable	-	-	3,745,524	3,745,524
Non-current trade and other accounts payable	-	-	905,479	905,479
Current borrowed funds	-	7,383,655	-	7,383,655
Non-current borrowed funds	-	11,512,671	-	11,512,671
Other short-term payables and accrued expenses	-	-	4,889,178	4,889,178
TOTAL FINANCIAL LIABILITIES	-	18,896,326	9,540,181	28,436,507

	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

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, 2019 and 2018 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, 2019 and 2018 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

29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

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, 2019 and 2018 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 1,456,763 thousand somoni and 583,433 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.

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, 2019 and 2018 arose from transactions with related parties:

	December 31, 2019		December 31, 2018	
	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	283,884	822,806	306,530	645,456
Cash and cash equivalents	83,843	270,188	136,433	140,264
Non-current borrowed funds	9,316,522	11,512,671	9,087,433	10,785,615
Current borrowed funds	3,998,636	7,383,655	3,258,155	6,052,002
Other payables and accrued expenses	4,836,223	4,889,178	3,776,112	3,776,833

30. TRANSACTIONS WITH RELATED PARTIES (continued)

The following amounts were included in the consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2019 and 2018 which arose due to transactions with related parties:

	2019		2018	
	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	565,192	3,262,951	524,703	2,684,735
Cost of sales	733,169	2,411,991	627,766	1,956,333
Selling expenses	70,568	1,016,302	190,026	935,406
Financial loss	483,644	2,006,316	473,599	1,752,612

For the years ended December 31, 2019 and 2018 the remuneration of key management was as follows:

	December 31, 2019	December 31, 2018
Salary and bonuses	482	351
Contributions to social fund	120	88
	602	439

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 also keeps investment held for sale.

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,

31. FINANCIAL RISKS MANAGEMENT (continued)

- 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	2019 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	270,188	-	-	270,188
Trade and other accounts receivable	780,688	-	42,118	822,806
Non-current investments	182,401	-	-	182,401
TOTAL FINANCIAL ASSETS	1,233,277	-	42,118	1,275,395
FINANCIAL LIABILITIES:				
Current trade and other accounts payable	1,849,125	252,590	1,643,809	3,745,524
Non-current trade and other accounts Payable	905,479	-	-	905,479
Current borrowed funds	7,299,348	84,307	-	7,383,655
Non-current borrowed funds	11,187,732	324,939	-	11,512,671
Other current payables and accrued Expenses	4,882,536	6,642	-	4,889,178
TOTAL FINANCIAL LIABILITIES	26,124,220	668,478	1,643,809	28,436,507

	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

31. FINANCIAL RISKS MANAGEMENT (continued)

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, investments held for sale.

Sensitivity analysis as at December 31, 2019 and 2018 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 consolidated statement of financial position is associated with debt instruments held for sale.

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, 2019 and 2018.

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.

31. FINANCIAL RISKS MANAGEMENT (continued)

	TJS	USD	EUR	XDR	KWD	Other	2019 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	236,193	29,112	82	-	-	4,801	270,188
Trade and other accounts receivable	780,688	42,118	-	-	-	-	822,806
Non-current investments	182,401	-	-	-	-	-	182,401
TOTAL FINANCIAL ASSETS	1,199,282	71,230	82	-	-	4,801	1,275,395
FINANCIAL LIABILITIES:							
Current trade and other accounts payable	1,725,628	2,006,528	13,368	-	-	-	3,745,524
Non-current trade and other accounts payable	905,479	-	-	-	-	-	905,479
Current borrowed funds	231,173	5,766,099	242,123	650,185	128,871	365,204	7,383,655
Non-current borrowed funds	-	8,746,338	249,867	575,134	50,928	1,890,404	11,512,671
Other current payables and accrued expenses	46,313	3,637,555	144,079	845,334	120,977	94,920	4,889,178
TOTAL FINANCIAL LIABILITIES	2,908,593	20,156,520	649,437	2,070,653	300,776	2,350,528	28,436,507
Open currency position	(1,709,311)	(20,085,290)	(649,355)	(2,070,653)	(300,776)	(2,345,727)	(27,161,112)

31. FINANCIAL RISKS MANAGEMENT (continued)

	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)

31. FINANCIAL RISKS MANAGEMENT (continued)

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 2019 and 2018, 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.

	2019		**2018**	
	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	(2,008,529)	2,008,529	(1,764,274)	1,764,274

	2019		**2018**	
	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	(64,936)	64,936	(163,505)	163,505

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 2019 the percentage of money collection for the sold energy in the whole group was 85.5% (accrued – 3,700,973 thousand somoni VAT inclusive, paid – 3,163,839 thousand somoni), including Tajik Aluminium Plant 100.2% (accrued – 255,926 thousand somoni VAT inclusive, paid – 256,623 thousand somoni).

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

31. FINANCIAL RISKS MANAGEMENT (continued)

Aluminium Plant 104% (accrued – 230,541 thousand somoni VAT inclusive, paid – 238,829 thousand somoni).
Approximately 8% of all sales in 2019 (7% in 2018) 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.

31. FINANCIAL RISKS MANAGEMENT (continued)

	Less than 1 month	1 – 3 months	3 months - 1 year	1-5 years	More than 5 years	Undefined	2019
FINANCIAL ASSETS:							
Cash and cash equivalents	270,188	-	-	-	-	-	270,188
Trade and other accounts receivable	822,806	-	-	-	-	-	822,806
Non-current investments	-	-	-	-	-	182,401	182,401
TOTAL FINANCIAL ASSETS	1,092,994	-	-	-	-	182,401	1,275,395
FINANCIAL LIABILITIES:							
Current trade and other accounts payable	3,745,524	-	-	-	-	-	3,745,524
Non-current trade and other accounts payable	-	-	-	-	-	905,479	905,479
Current borrowed funds	6,662,579	127,378	593,698	-	-	-	7,383,655
Non-current borrowed funds	-	-	-	3,585,925	7,926,746	-	11,512,671
Other current payables and accrued expenses	4,889,178	-	-	-	-	-	4,889,178
TOTAL FINANCIAL LIABILITIES	15,297,281	127,378	593,698	3,585,925	7,926,746	905,479	28,436,507
Difference between financial assets and liabilities	(14,204,287)	(127,378)	(593,698)	(3,585,925)	(7,926,746)	(723,078)	(27,161,112)

31. FINANCIAL RISKS MANAGEMENT (continued)

	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)

31. FINANCIAL RISKS MANAGEMENT (continued)

Analysis of undiscounted financial liabilities

The table below shows the distribution of the Group's obligations as at December 31, 2019 and 2018 based on contractual undiscounted cash flows.

	Less than 1 month	1 – 3 months	3 months – 1 year	1-5 years	More than 5 years	Undefined	2019 Total
FINANCIAL LIABILITIES:							
Current trade and other accounts payable	3,745,524	-	-	-	-	-	3,745,524
Non-current trade and other accounts payable	-	-	-	-	-	905,479	905,479
Current borrowed funds	6,736,013	283,128	1,292,421	-	-	-	8,311,562
Non-current borrowed Funds	-	-	-	9,590,602	8,886,338	-	18,476,940
Other current payables and accrued expenses	4,889,178	-	-	-	-	-	4,889,178
TOTAL FINANCIAL LIABILITIES	15,370,715	283,128	1,292,421	9,590,602	8,886,338	905,479	36,328,683

	Less than 1 month	1 – 3 months	3 months - 1 year	1-5 years	More than 5 years	Undefined	2018 Total
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	5,478,654	660,573	1,155,681	-	-	-	7,294,908
Non-current borrowed Funds	-	-	-	8,907,288	8,251,241	-	17,158,529
Other current payables and accrued expenses	3,758,358	-	-	-	-	-	3,758,358
TOTAL FINANCIAL LIABILITIES	12,253,699	660,573	1,155,681	8,907,288	8,251,241	905,479	32,133,961

31. FINANCIAL RISKS MANAGEMENT (continued)

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, 2019 and 2018 no changes were made in the objectives, policies and processes for managing capital.

32. SUBSEQUENT EVENTS

On January 2, 2020, overdraft No. 301219 / 0174-01 of December 30, 2019 from SSB "Amonatbank" in the amount of 150 million somoni was repaid.

On May 5, 2020, the Republic of Tajikistan (the grant recipient) and the International Development Association signed a special loan agreement for a financial rehabilitation program for an energy company in the amount of ninety-seven million two hundred thousand (97,200,000) special drawing rights. The deadline for the financing agreement is August 30, 2026, or another date that can be agreed between the Grantee and the Association. The agreement contains special requirements that must be fulfilled by the Company (OSHC Barqi Tojik) to receive these funds specified in the agreement

The coronavirus outbreak progressed rapidly in 2020 with significant impact on businesses and the population. The measures taken to contain the virus have impacted economic activity, which in turn has implications for the Group's financial statements. Measures to prevent transmission of the virus include restricting the movement of people, limiting flights and other travel, temporarily closing businesses and educational institutions, and canceling events. This situation will also begin to affect supply chains and production of goods throughout the Republic of Tajikistan, leading to a decrease in economic activity, a decrease in demand for many goods and services, including electro energy. This situation could adversely affect the financial position and results of operations of the Group for the year ended December 31, 2020.

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".