DTEK Finance PLC

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2018

Company Number: 08422508

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COMPANY INFORMATION

DIRECTORS	Maksym Timchenko Johan Frans Jozef Maria Bastin
COMPANY SECRETARY	Paul John Cooper
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
REGISTERED OFFICE	Fifth Floor, 25 Park Lane London United Kingdom W1K 1RA

STRATEGIC REPORT

The directors of DTEK Finance PLC (the "Company") present their annual report and consolidated financial statements in order to disclose the results of the activities of the Company and its subsidiary DTEK Investments Limited (together the "Group") for the year ended 31 December 2018 and their likely future development.

Principal activities and business review

The sole activity of the Company and Group is to serve as a finance vehicle for DTEK Energy Group ("DTEK Energy").

DTEK Energy Update

DTEK Energy is a vertically integrated coal mining, power generating and trading group. Its principal activities are coal mining for further supply to its power generating facilities and final sale of electricity to end customers. The Group's coal mines and power generation plants are located in the Donetsk (controlled territory), Lugansk (controlled territory), Dnipropetrovsk, Lviv, Ivano-Frankivsk, Vinnitsya, Zaporizhzhya, Kyiv regions and the City of Kyiv in Ukraine. DTEK Energy sells the majority of its electricity generated to Energorynok SE ("Energorynok SE"), the state-owned electricity metering and distribution pool, at prices determined based on the competitive pool model adopted by the National Commission for State Regulation of Energy and Public Utilities in Ukraine. In order to comply with the requirements of the changes introduced by the Electricity Market Law of Ukraine, in 2018 DTEK Energy BV, following the restructuring plan, has transferred control over its electricity distribution business to its parent company, DTEK B.V.

DTEK Energy continues to work on the implementation of the restructuring of all of the remaining loan facilities (US$ 242 million). Management believe that the remaining unrestructured bank borrowings will be subject to separate new restructuring documentation with terms and conditions substantially similar to the restructured bank debt documentation.

Group Update

In December 2016, the Group restructured all of its existing Eurobonds and exchanged them for new Eurobonds (the "New Notes") with an aggregate principal value of US$ 1,275 million. The transaction was accounted for as an extinguishment of existing Eurobonds and recognition of New Notes. The amount included US$ 300 million, being the amount of bank debt that the Group's bank lenders elected to exchange for New Notes at par in accordance with the debt exchange offer (the "Bank Exchange Offer"). As a consequence, bank debt for the amount of US$ 133 million was exchanged for the New Notes. On 20 September 2018 as result of restructuring a part of these loans for the amount of US$ 67 million was converted to the New Notes. As at 31 December 2018, the remaining portion of the Bank Exchange Offer totalling US$ 100 million has not been converted to the New Notes and is classified as current bank borrowings.

The results of the Group show a loss for the year ended 31 December 2018, amounting to US$ 69,280 thousand (for the year ended 31 December 2017: US$ 38,075 thousand). The results of the Company show a loss for the year ended 31 December 2018 amounting to US$ 111,968 thousand (an income for the year ended 31 December 2017: US$ 32,398 thousand). At 31 December 2018 the Group had an equity deficit of US$ 182,881 thousand (31 December 2017: US$ 70,347 thousand) and the Company had an equity deficit of US$ 769,151 thousand (31 December 2017: US$ 631,858 thousand).

Principal risks and uncertainties

The principal risks and uncertainties of the Group are closely linked to the operations of DTEK Energy and therefore the performance of the former is highly dependent on the latter.

The recent political and economic instability in Ukraine has continued in 2018, albeit at a diminished rate, and has led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies (though the devaluation of the national currency and inflation were less in 2018 and 2017 as compared to 2014-2016). It had a significant impact on DTEK Energy's financial performance in 2018 as further disclosed in Note 1.

The Group's activities expose it to a variety of financial risks: market risk (indirectly via DTEK Energy), credit risk and liquidity risk.

Exposure of the Group to different financial risks is disclosed in Note 19 of the consolidated financial statements.

Risk management and internal control

The Management Board of DTEK Energy (the "Board") has overall responsibility for the Group's system of internal controls and for monitoring its effectiveness including with respect to DTEK Finance Plc. The Board has established a continuous process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the effectiveness of the Group's internal controls, which have been set at the time of the establishment and incorporation of the company and continued to be in place from the start of the financial year to the date of approval of this report.

Additionally, DTEK Energy developed a compliance function to monitor and analyse financial, reputation or legal risks connected with its business activities. Management of these risks directly impacts the quality of the loan portfolio of DTEK Finance Plc and its ability to meet its financial liabilities.

During 2018 DTEK Energy concentrated on the management of the following main risks:

Political, macroeconomic and geopolitical risks:

- Overall, Ukraine's macro-economic picture is one of recovery and gradual stabilization. Following the geo-political and economic turmoil of 2014, GDP sharply contracted. It started to recover in 2016 and continued to do so in 2017 and 2018. As a result of the EU Association Agreement, exports to the EU sharply grew from a share of 32% of total exports in 2016 to almost 43% in 2018. Whereas macro-economic performance progress is made in several—but by no means all—important respects, it remains fragile and vulnerable to external shocks and inept government policy. Certain major macro-economic indicators including, GDP growth, inflation rates and current account balances, while improving, remain a source of concern.
  Politically, Ukraine has reached a measure of stability allowing the government to implement several critically important reforms particularly in the energy sector. The IMF approved a new US$3.9bn facility in response to the government's decision to step up the implementation of some long-delayed energy sector reforms. These reforms, however, are incomplete and subject to parliamentary horse-trading and judiciary intervention. They fall short of IMF and EU requirements and of market expectations.
  Economic underperformance and weak public finances combined with the simmering geo-political conflict in the East of the country, general social unease and popular disappointment with the political classes, are the major factors propagating instability and affecting country risk. As a result, foreign direct investment into Ukraine remains below the country's needs. International capital markets remain cautious about Ukraine country risk and availability of credit for corporates from foreign and domestic sources is limited.
  The Group closely follows developments of international capital markets and of investor appetite for Ukraine risk. Through regular interactions with investors it keeps track of changes in investor requirements. The company does so to ensure that DTEK Energy is responsive to investor expectations and prepared to engage with international investors if and when the need arises.
- The political risk associated with the supply of anthracite coal from the territory of the Russian Federation materialized in October-November 2018. The interruptions of the supply of anthracite coal affected the work of the Luganskaya TPP (was forced to work on gas).
- Taking into account the above-mentioned political risks, DTEK Energy's corporate strategy was updated in 2017. DTEK Energy is aiming to increase the mining of gas-type coal and to lower electricity production by anthracite-based thermal power plants ("TPP"). In 2018 DTEK Energy successfully rejigged two more units of Prydneprovskaya TPP for gas-type coal and planned similar projects for other anthracite coal units in 2019.

Financial risks and Market risks:

- In order to mitigate commodity price risks management regularly re-assesses its open positions, develops and implements risk mitigation strategies, including principles of distribution of export commodities (electricity and coal) between short-term and long-term positions, price projections, etc.
- With regard to currency risk, DTEK Energy strived to reduce its open short foreign currency balance sheet position, which arose as a result of imbalance between its loan portfolio in foreign currency and cash flows generated in Ukrainian Hryvna.
- In order to manage liquidity risk and ensure timely repayment of debt, management diligently plans and monitors cash inflows and outflows on a daily basis, takes measures to optimize its working capital structure, keeps open communication lines with lenders in order to restructure its loan portfolio and eliminate possible liquidity gaps in future.
- Credit risk management is based on an internal scoring system, which assigns internal ratings and limits to counterparties based on financial performance and other aspects.
- Interest rate risk remained at a low level, due to an insignificant amount of credit lines with floating interest rates.
- DTEK Energy paid special attention to the market risks, mostly related to forthcoming market competition and expansion. Despite the low significance of these risks in the reporting period, DTEK Energy is actively working to minimize such risks in the future in connection with the future liberalization of the Ukrainian electricity market and expected increased competition from local and international players. The

aforementioned operational and corporate strategy will address DTEK Energy's response to increased competition and a gradually changing generation mix in Ukraine due to the advent of renewable energy.

Reputational Risks:

- DTEK Energy actively manages reputational risks, by performing a regular assessment of its reputation, and of changes in the social climate both in the internal and external environment. DTEK Energy executes proactive and reactive communications at the local and international level in order to minimize the impact of reputational risks.
- DTEK Energy's management is integrating and complementing existing policies and procedures into a comprehensive ESG policy and governance structure covering environmental protection, social responsibility and corporate governance.

Corporate Governance and Compliance Risks:

- In order to manage compliance risks, DTEK Energy follows the restrictions of current sanction regimes and acts in accordance with international legislation, executing know-your-customer procedures and compliance checks while working with its counterparties.
- DTEK Energy also implements anti-corruption and anti-bribery programs and has a Compliance Policy and Code of Ethics & Business conduct policy; it regularly provides employees with appropriate compliance trainings and monitors the internal compliance rules being in place.

IT risks:

- Technical malfunction, virus attacks, data loss or downtime of IT systems can have a significant negative impact on DTEK Energy's activities, taking into account the high level of integration of informational and communicational systems into DTEK Energy's business processes.
- Management implemented a number of tools, including but not limited to: control over unauthorized software (SCCM, etc.), the Intrusion Prevention System (IPS), DLP policies, the MDM system, group policies of the EMET tool, antivirus control, anti-SPAM systems.
- The Supervisory board continues to assume an active role in overseeing and ensuring the robustness of DTEK Energy's risk management and ESG related policies and procedures and their diligent implementation.

Key performance indicators

The key performance indicators for management are focused around the loan covenants. The New Notes and Restructured Bank Debt contain specific covenants, including but not limited to limitations on distribution to shareholders (unless such distribution is made pursuant to mandatory requirements of the law), limits on capital expenditure, restrictions on permissible business activities, requirement to perform transactions on an arm's length basis, requirement to make periodic disclosure of financial information, permissible levels of additional financial indebtedness and cash interest cover.

Future developments

In 2018, the Group considerably strengthened DTEK Finance PLC's office in London with the addition of senior executives, including one of the Directors, and back- and mid-office staff with a view to further strengthening the business as well as relocating investor relations. The London-based team will also closely monitor developments in international capital markets.

The Group will remain the finance vehicle for DTEK Energy, with its activity focused on DTEK Energy borrowings and loans servicing.

The Group's performance is closely linked to the operations of DTEK Energy and therefore the changes in its development strategy is highly dependent on the latter.

Taking into account uncertainties in the year 2018 the DTEK Energy will focus on the following key areas in 2019:

- Further improve operational efficiency;
- Complete the Group's financial restructuring and optimize liquidity management;
- Prepare for liberalization and transfer to new Ukraine electricity market model;
- Decrease level of coal consumption for electricity production;
- Position the Company for energy transition, decarbonization policies and market reforms
- Further convert anthracite power-generating units to G-grade coal, develop an investment program sufficient to achieve and maintain the targeted production capacity.

Environmental issues

DTEK Energy's activities are closely linked with production cycles impacting the environment. That is why maintaining high ecological compliance standards is a crucial point for the business development of DTEK Energy both in Ukraine and European markets.

Social responsibility

Social responsibility and commitment to the principles of sustainable development are key values and an integral part of the strategy of the Group. That is why DTEK Energy invests significant funds in improving the safety, efficiency and environmental friendliness of its enterprises, labour protection, health improvement and professional development of employees, the development of local communities and improving the quality of life of people in the regions of activity.

DTEK Energy systematically develops its activities in the field of sustainable development and strives to work in accordance with international standards for sustainable development, remaining an internal employer and social investor, participating in the socio-economic development of the regions in which it operates, while not replacing the functions of the state.

DTEK Energy's main principle is to maintain partnership between the authorities, business and society, for the implementation of which DTEK Energy implements the Social Partnership Programme. The programme is developed on the basis of international standards for sustainable development and aims to improve energy efficiency in the public sector, improve the quality of health services, and business development. In the long term, the Group considers the development of the regions in which it operates as a competitive advantage.

DTEK Energy is a member of the UN Global Compact Network and in its activities follows the principles and goals of sustainable development proclaimed by the UN. DTEK Energy strives to protect the environment, improve production and management processes, and invest in environmental activities in all areas of its enterprises. Environmental activities are an integral part of DTEK Energy's successful business and are based on DTEK's Environmental Policy, developed in accordance with the international standard ISO 14001: 2015.

The unconditional priority of DTEK Energy's activities is the conduct of ethical, legal and open business. DTEK Energy openly declares its anti-corruption standards and adheres to the principle of zero tolerance for corruption. DTEK Energy continues to report on social corporate responsibility and sustainable development. The report on sustainable development for 2018 is expected by the middle of 2019. As mentioned above, it will contain an integral and comprehensive ESG policy and strategy framework and detail the governance mechanisms in place to implement the related ESG policies and procedures.

On behalf of the board

Maksym Timchenko, Director

Johan Frans Jozef Maria Bastin, Director

18 April 2019

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of DTEK Finance PLC and its subsidiary (the "Group") for the year ended 31 December 2018.

Incorporation

DTEK Finance PLC (the "Company") is a public limited company incorporated on 27 February 2013 in England and Wales through the contribution by DTEK Energy B.V. of 100% of its equity interest. Its registered office is Fifth Floor, 25 Park Lane, London, United Kingdom W1K 1RA.

DTEK Finance PLC owns 100% of the issued share capital of DTEK Investments Limited, a company incorporated in England and Wales. The total amount of the investment as of 31 December 2018 was US$ 282,778 thousand (31 December 2017: US$ 278,960 thousand). The increase has occurred as a result of converting the carrying value of the investment from UAH (the underlying functional currency) to US$ (the presentational currency).

DTEK Energy B.V. (the "Parent Company") is a private limited liability company incorporated in the Netherlands on 16 April 2009. The Parent Company was formed through the contribution by System Capital Management Limited (SCM ltd.) and InvestCom Services Limited of their 100% equity interest in DTEK Holdings Limited, a Cyprus registered entity and predecessor to the Parent Company. On 19 September 2014 the Parent Company changed its ultimate parent company to DTEK B.V. (the "Ultimate Parent Company"). The Ultimate Parent Company and its subsidiaries ("DTEK Energy Group") are beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management ("SCM").

The principal activity of the Company and its subsidiary (together referred to as the "Group") is to serve as a finance vehicle for DTEK Energy Group ("DTEK Energy").

Future outlook

Management of the Group is actively working with DTEK Energy and its lenders on the restructuring of the remaining debt facilities. The Group is also looking into different options to decrease the foreign exchange rate exposure as described in the principal risks and uncertainties section.

Going concern

The Group had an equity deficit of US$ 182,881 thousand and the Company had an equity deficit of US$ 769,151 thousand at 31 December 2018.

The Group's ability to continue as a going concern is highly dependent on the continued servicing of the interest payable on the loans issued to fellow subsidiaries of DTEK Energy B.V. ("DTEK Energy") and repayment of principal of the loans on or before their due dates (and for the Company, on dividends from its subsidiary DTEK Investments Limited).

As at 31 December 2018, DTEK Energy had an excess of current liabilities over current assets of US$ 72 million. This was caused by the classification as short-term liabilities of US$ 242 million of bank borrowings including interest accrued as current that are in default as at 31 December 2018.

The majority of DTEK Energy's revenue is generated in Ukraine and denominated in UAH (2018: 86% and 2017: 94 %, respectively), although DTEK Energy also receives some foreign currencies from its export of electricity and in the past through the export of coal. The majority of DTEK Energy's and the Group's debt is denominated in currencies other than UAH.

Due to the significant UAH devaluation during 2014 to 2016 management of the Group and DTEK Energy commenced discussions with lenders on both a bi-lateral and an all-party basis. However, DTEK Energy has not been able to finalize discussion with all of its lenders or execute the restructured bank debt documentation to extend the terms of all of its debt as at the date of preparation of these consolidated financial statements.

In December 2016 the Group's bonds for the amount of US$ 975 million were restructured. During 2016-2017, the Group restructured bonds and bank borrowings together with accrued interest for a total amount of US$ 1,483 million. Further, in September 2018, DTEK Energy's bank borrowings totaling US$ 275 million at the date of transaction were restructured.

The restructurings resulted in the modification of certain of the key terms and conditions in respect of the Restructured Debt aligned with the Override Agreement (see Note 10). However, of the remaining facilities US$ 242 million including interest accrued as at 31 December 2018 excluding sundry working capital loans, while aiming to achieve the same terms as accepted by all other bank lenders under the Bank Exchange Offer, remained in default and had not been restructured. Prior to the signing of these new restructuring agreements, these bank borrowings remain in default. Any repayment of debt in relation to the unrestructured part of the debt (US$ 242 million as at 31 December 2018) will be an event of default under the current terms of the Restructured Debt and Eurobonds.

Management has prepared monthly cash flow projections for periods throughout 2019 and the first six months of 2020. Judgments with regard to future electricity prices, coal volumes and the timing of settlements with various counterparties were required for the preparation of the cash flow projections. Management has estimated that the overall cash flows are positive, indicating that there is no liquidity gap in any months, based on the important assumptions in the cash flow projections, including: electricity tariffs increasing to offset the impact of cost inflation; improvement of the payment discipline of accounts receivable by Energorynok SE; stabilisation of the UAH; the ability of the Group to export coal and electricity; and that lenders with whom the Group has yet to complete debt restructuring will not demand principal repayment.

Whilst the terms of the restructuring have been agreed with the bank lenders on the basis of binding heads of terms accepted by all of the bank lenders under the Bank Exchange Offer, management acknowledges that, prior to full completion of the restructuring of the remaining debt obligations that were subject to restructuring and completion of required procedures, there is a material uncertainty which may cast significant doubt about DTEK Energy's ability to continue as a going concern, and, therefore, it may be unable to realize DTEK Energy's assets and discharge its liabilities in the normal course of business.

Taking into account the ongoing restructuring process of some of the facilities and based on cash flow projections performed, management considers that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

The Directors of the Company and the Group note the material uncertainties, as detailed above, regarding matters relating to DTEK Energy's ability to service the debt facilities provided by the Group. The Directors believe that this material uncertainty that may cast significant doubt about DTEK Energy's ability to continue as a going concern creates the existence of a material uncertainty that may cast significant doubt about the Company's and the Group's ability to continue as a going concern. However, the Directors of the Company and the Group consider that the Company and the Group have access to adequate resources to continue their operations in their current capacity for the foreseeable future and that the preparation of these financial statements under the going concern basis is appropriate and accordingly that they will be able to realize their assets and discharge their liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Company and the Group were unable to continue as a going concern.

Results and dividends

The consolidated loss of DTEK Finance PLC and its subsidiary (the "Group") for the year ended 31 December 2018 amounted to US$ 69,280 thousand (for the year ended 31 December 2017: US$ 38,075 thousand). The directors have not recommended a dividend.

Corporate governance statement

The information on risk management and internal control is provided on page 3 of the Strategic Report.

Directors

The directors of the Company during the year and up to the 5 April 2018 were as follows:
Maksym Timchenko and Accomplish Corporate Services Limited

The Company has accepted the resignation of Accomplish Corporate Services Limited from the position of director and named Johan Frans Jozef Maria Bastin as a new director (jointly authorized) with effect from 6 April 2018.

Independent auditors and disclosure information to them

PricewaterhouseCoopers LLP have been appointed as auditors of the Group for the financial year ended 31 December 2018.

In so far as the directors are aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

On behalf of the board

Maksym Timchenko, Director

Johan Frans Jozef Maria Bastin, Director

18 April 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group's and Company's financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

On behalf of the board

Maksym Timchenko, Director

Johan Frans Jozef Maria Bastin, Director

18 April 2019

Independent auditors' report to the members of DTEK Finance PLC

Report on the audit of the financial statements

Opinion

In our opinion, DTEK Finance PLC's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's and the Company's loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 December 2018; the Consolidated and Company statements of comprehensive income, the Consolidated and Company statements of cash flows and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and Company's ability to continue as a going concern. The Group is highly dependent on the continued servicing of the interest payable on the loans issued to fellow subsidiaries of the DTEK Energy B.V. Group (together "DTEK Energy") (and for the Company, on dividends from its subsidiary DTEK Investments Limited) and the repayment of the principal of the loans by those group companies on or before their due dates. DTEK Energy and the Group are also dependent on the willingness of the remaining lenders not to demand repayment of principal, and to continue their support by postponing the payment of due interest in future periods. Negotiations with the lenders are ongoing, and the outcome may impact on DTEK Energy's ability to service the loans provided by the Group and the Company. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Explanation of material uncertainty

Refer to page 6 (Directors' report) and page 22 (note 1 to the financial statements).

As a result of continuing political and economic uncertainties in Ukraine, which affect the operations of the ultimate parent company and DTEK Energy, the ability of DTEK Energy to repay the interest and principal is uncertain. In addition, DTEK Energy was negatively affected by the devaluation of the national currency of Ukraine. This resulted in a breach of certain bank covenants and thus gave a number of the DTEK Energy's lenders the ability to require legal repayment of the respective debt on demand.

During the period 2014 to 2016 management of DTEK Energy commenced discussions with lenders on both a bi-lateral and an all-party basis to restructure the debt facilities. In December 2016, the Group's bonds with a value of US$975 million were restructured. During 2016-2017, the Group restructured bonds and bank borrowings together with accrued interest for a total amount of US$1,483 million. Further, in September 2018, DTEK Energy's bank borrowings totalling US$275 million at the date of transaction were restructured. However, of the remaining loan facilities, US$242 million, as at 31 December 2018, remains in default as a result of the breaching of covenants. These remaining facilities amount to 12% of the total borrowings of DTEK Energy as at 31 December 2018.

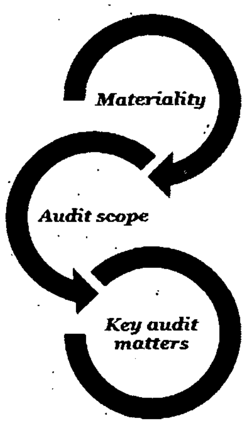
Management of DTEK Energy have prepared cash flow forecasts for 2019 and for the first six months of 2020 and concluded that there is a material uncertainty, which may cast significant doubt on DTEK Energy's ability to continue as a going concern. Accordingly the directors of the Group and the Company have reviewed the cash flow forecasts prepared by the management of DTEK Energy, evaluated the impact on the Group and the Company and concluded that there is a material uncertainty that may cast significant doubt about the Group's and Company's ability to continue as a going concern.

What audit procedures we performed

We obtained the directors' evaluation of the cash flow forecasts for DTEK Energy for 2019 and for the first six months of 2020, which supports their use of the going concern basis of accounting for the Group and the Company. We tested the integrity of the forecast model, including the mathematical accuracy. The model includes a number of key assumptions. We held extensive discussions with management and reviewed key assumptions, such as forecast electricity tariffs, operating costs and capital expenditures. We traced electricity tariffs to industry data as well as to the actual realised tariffs during 2018. Operating costs and capital expenditure were reconciled to the approved budgets. Any material differences were investigated. We considered the historical accuracy of management's forecasting and performed sensitivity testing for reasonable possible changes in the key assumptions, particularly the electricity tariffs. We also reviewed the disclosure provided in Note 1 of the financial statements and concur that it is sufficient to inform members about the directors' going concern assessment.

Our audit approach

Overview



- Overall Group materiality: US$11.1 million (2017: US$12.7 million), based on 1% of total assets.
- Overall Company materiality: US$6.7 million (2017: US$7.4 million), based on 1% of total assets.

- We focussed our full scope audit procedures on the only two components of the Group: DTEK Finance Plc and DTEK Investments Limited.
- As part of our audit, we visited the Group's head office in Kiev and spent time with management.

- We determined that there were no key audit matters applicable to the Group or the Company to communicate in our report, except for the material uncertainty relating to going concern as described in the section above.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We determined that there were no key audit matters applicable to the Group or the Company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group consists of two entities: DTEK Finance Plc and DTEK Investments Limited. We performed full scope audits for both entities.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall materiality	US$11.1 million (2017: US$12.7 million).	US$6.7 million (2017: US$7.4 million).
How we determined it	1% of total assets.	1% of total assets.
Rationale for benchmark applied	Considering the nature of the Group's operations, a total assets benchmark is considered to be the most appropriate measure in assessing its performance.	Considering the nature of the Company's operations, a total assets benchmark is considered to be the most appropriate measure in assessing its performance.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between US$6.7 million for DTEK Finance PLC and US$10.1 million for DTEK Investments Limited.

We agreed with the directors that we would report to them misstatements identified during our audit above US$557,000 (Group audit) (2017: US$635,000) and US$335,000 (Company audit) (2017: US$372,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 April 2019

Consolidated Statement of Comprehensive Income

In thousands of US$	Note	Year ended 31 December 2018	Year ended 31 December 2017
Finance income	4	119,804	109,078
Finance costs	4	(149,145)	(150,907)
Expected credit loss	7	(35,309)	-
Other income		820	-
General and administrative expense	5	(2,779)	(253)
Net foreign exchange (loss)/gain		(2,373)	4,484
Loss before income tax		**(68,982)**	**(37,598)**
Income tax expense	15	(298)	(477)
Loss for the year		**(69,280)**	**(38,075)**
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss:			
Reclassification adjustment in relation to cash flow hedges		348	768
Foreign currency translation		(2,110)	1,772
Total other comprehensive (loss)/income		**(1,762)**	**2,540**
Total comprehensive loss for the year		**(71,042)**	**(35,535)**

Company Statement of Comprehensive Income

In thousands of US$'	Note	Year ended 31 December 2018	Year ended 31 December 2017
Dividend income		-	166,248
Finance income	4	32,306	28,827
Finance costs	4	(145,394)	(139,001)
Expected credit loss	7	(11,776)	-
Other income		127	-
General and administrative expenses	5	(1,289)	(96)
Net foreign exchange gain/(loss)		14,058	(23,580)
(Loss)/Income before income tax		**(111,968)**	**32,398**
Income tax expense		-	-
(Loss)/Income for the year		**(111,968)**	**32,398**
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation		(10,010)	16,615
Total other comprehensive (loss)/income for the year		**(10,010)**	**16,615**
Total comprehensive (loss)/income for the year		**(121,978)**	**49,013**

In thousands of US$	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Furniture, fittings and equipment		21	-
Loans receivable	7	754,304	846,360
Total non-current assets		**754,325**	**846,360**
Current assets			
Loans receivable	7	231,515	353,742
Interest receivable	7	127,870	72,243
Other receivable		16	-
Cash and cash equivalents	8	465	207
Total current assets		**359,866**	**426,192**
TOTAL ASSETS		**1,114,191**	**1,272,552**
EQUITY			
Share capital	9	78	78
Other reserves		-	(348)
Currency translation reserve		(8,745)	(6,635)
Accumulated losses		(174,214)	(63,442)
TOTAL EQUITY		**(182,881)**	**(70,347)**
LIABILITIES			
Non-current liabilities			
Borrowings	10	1,294,757	1,250,034
Total non-current liabilities		**1,294,757**	**1,250,034**
Current liabilities			
Borrowings	10	-	69,409
Interest payable	10	988	21,578
Trade and other payables	11	998	1,677
Current income tax payable		329	201
Total current liabilities		**2,315**	**92,865**
TOTAL LIABILITIES		**1,297,072**	**1,342,899**
TOTAL LIABILITIES AND EQUITY		**1,114,191**	**1,272,552**

The financial statements on pages 14 to 42 were approved and signed by the Directors on 18 April 2019

Maksym Timchenko, Director

Johan Frans Jozef Maria Bastin, Director

Company Statement of Financial Position

In thousands of US$	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Furniture, fittings and equipment		1	-
Investments in subsidiaries	6	282,778	278,960
Loans receivable	7	322,194	278,144
Total non-current assets		**604,973**	**557,104**
Current assets			
Interest receivable	7	4,601	24,591
Dividends receivable		64,926	162,773
Cash and cash equivalents		34	67
Total current assets		**69,561**	**187,431**
TOTAL ASSETS		**674,534**	**744,535**
EQUITY			
Share capital	9	78	78
Currency translation reserve		454,175	464,185
Accumulated losses		(1,223,404)	(1,096,121)
TOTAL EQUITY		**(769,151)**	**(631,858)**
LIABILITIES			
Non-current liabilities			
Eurobonds issued	10	1,237,394	1,170,069
Total non-current liabilities		**1,237,394**	**1,170,069**
Current liabilities			
Other payables	11	206,291	206,324
Total current liabilities		**206,291**	**206,324**
TOTAL LIABILITIES		**1,443,685**	**1,376,393**
TOTAL LIABILITIES AND EQUITY		**674,534**	**744,535**

Maksym Timchenko, Director

Johan Frans Jozef Maria Bastin, Director

Consolidated Statement of Changes in Equity

In thousands of US$	Share capital	Other reserves	Currency translation reserve	(Accumulated losses)	Total equity
Balance at 1 January 2017	**78**	**(1,116)**	**(8,407)**	**(25,367)**	**(34,812)**
Loss for 2017	-	-	-	(38,075)	**(38,075)**
Other comprehensive income for 2017					
Items that may be subsequently reclassified to profit or loss:					
Reclassification adjustment in relation to cash flow hedges	-	768	-	-	**768**
Foreign currency translation	-	-	1,772	-	**1,772**
Total other comprehensive income	-	**768**	**1,772**	-	**2,540**
Total comprehensive income/(loss) for 2017	-	**768**	**1,772**	**(38,075)**	**(35,535)**
Balance at 31 December 2017	**78**	**(348)**	**(6,635)**	**(63,442)**	**(70,347)**
Balance at 1 January 2018	**78**	**(348)**	**(6,635)**	**(63,442)**	**(70,347)**
Retrospective application of new standards (Note 21)	-	-	-	(41,492)	**(41,492)**
Balance at 1 January 2018 after application of new standards	**78**	**(348)**	**(6,635)**	**(104,934)**	**(111,839)**
Loss for 2018	-	-	-	(69,280)	**(69,280)**
Other comprehensive expense for 2018					
Items that may be subsequently reclassified to profit or loss:					
Reclassification adjustment in relation to cash flow hedges	-	348	-	-	**348**
Foreign currency translation	-	-	(2,110)	-	**(2,110)**
Total other comprehensive income/(loss) for 2018	-	**348**	**(2,110)**	-	**(1,762)**
Total comprehensive income/(loss) for 2018	-	**348**	**(2,110)**	**(69,280)**	**(71,042)**
Balance at 31 December 2018	**78**	-	**(8,745)**	**(174,214)**	**(182,881)**

Company Statement of Changes in Equity

In thousands of US$	Share capital	Currency translation reserve	Accumulated losses	Total equity
Balance at 1 January 2017	**78**	**447,570**	**(1,128,519)**	**(680,871)**
Comprehensive expense				
Profit for the year	-	-	32,398	**32,398**
Other comprehensive income				
Foreign currency translation	-	16,615	-	**16,615**
Total other comprehensive income	**-**	**16,615**	**-**	**16,615**
Total comprehensive income for 2017	**-**	**16,615**	**32,398**	**49,013**
Balance at 31 December 2017	**78**	**464,185**	**(1,096,121)**	**(631,858)**
Balance at 1 January 2018	**78**	**464,185**	**(1,096,121)**	**(631,858)**
Retrospective application of new standards (Note 21)	-	-	(15,315)	**(15,315)**
Balance at 1 January 2018 after application of new standards	**78**	**464,185**	**(1,111,436)**	**(647,173)**
Comprehensive income				
Loss for the year	-	-	(111,968)	**(111,968)**
Other comprehensive income				
Foreign currency translation	-	(10,010)	-	**(10,010)**
Total other comprehensive loss	**-**	**(10,010)**	**-**	**(10,010)**
Total comprehensive loss for 2018	**-**	**(10,010)**	**(111,968)**	**(121,978)**
Balance at 31 December 2018	**78**	**454,175**	**(1,223,404)**	**(769,151)**

Consolidated Statement of Cash Flows

In thousands of US$	Note	Year ended 31 December 2018	Year ended 31 December 2017
Cash flows from operating activities			
Loss before income tax		**(68,982)**	**(37,598)**
Adjustments for:			
Interest income	4	(119,804)	(109,078)
Finance costs	4	149,145	150,907
Other income		(820)	-
Net change in expected credit loss for loans receivable	7	35,309	-
Net foreign exchange loss/(gain)		2,373	(4,484)
Operating cash flows before working capital changes		**(2,779)**	**(253)**
Change in other payables		(6)	(10,482)
Increase in income tax payable		128	95
Cash used in operations		**(2,657)**	**(10,640)**
Interest received		63,198	90,590
Interest paid	10	(149,704)	(77,511)
Income tax paid		(216)	(381)
Net cash (used in)/generated from operating activities		**(89,379)**	**2,058**
Cash flows from investing activities			
Loans granted		(57,710)	(968,195)
Repayment of loans receivable		238,508	995,219
Net cash generated from investing activities		**180,798**	**27,024**
Cash flows from financing activities			
Repayment of borrowings	10	(22,602)	(26,711)
Repayment of liability for the transferred borrowings		(68,484)	-
Net cash used in financing activities		**(91,086)**	**(26,711)**
Net increase in cash and cash equivalents		**333**	**2,373**
Cash and cash equivalents at beginning of the year		**207**	**2,738**
Exchange losses on cash and cash equivalents		(75)	(4,904)
Cash and cash equivalents at end of the year		**465**	**207**

Company Statement of Cash Flows

In thousands of US$	Note	Year ended 31 December 2018	Year ended 31 December 2017
Cash flows from operating activities			
(Loss)/profit before income tax		(111,968)	32,398
Adjustments for:			
Dividend income		-	(166,248)
Interest income	4	(32,306)	(28,827)
Finance costs	4	145,394	139,001
Net change in expected credit loss for loans receivable	7	11,776	-
Other income		(127)	-
Net foreign exchange (loss)/gain		(14,058)	23,580
Operating cash flows before working capital changes		**(1,289)**	**(96)**
Change in other payables		51	(11,238)
Cash used in operations		**(1,238)**	**(11,334)**
Interest received		52,308	17,840
Interest paid	10	(144,452)	(75,228)
Net cash used in operating activities		**(93,380)**	**(68,722)**
Cash flows from investing activities			
Dividends received from subsidiary		93,373	70,620
Net cash generated from investing activities		**93,373**	**70,620**
Net increase in cash and cash equivalents		**(7)**	**1,898**
Cash and cash equivalents at beginning of the year		**67**	**372**
Exchange losses on cash and cash equivalents		(25)	(2,204)
Cash and cash equivalents at end of the year		**34**	**67**

1 The Organisation and its Operations

General

The principal activity of DTEK Finance PLC and its subsidiary (the "Group") is to serve as a finance vehicle for DTEK Energy Group ("DTEK Energy").

DTEK Finance PLC is a public limited company incorporated on 27 February 2013 in England and Wales through the contribution by DTEK Energy B.V. of 100% of its equity interest. Its registered office is Fifth Floor, 25 Park Lane, London, United Kingdom, W1K 1RA. The Company is limited by shares.

DTEK Finance PLC owns 100% of the issued share capital of DTEK Investments Limited (its registered and domicile office is Fifth Floor, 25 Park Lane, London, United Kingdom, W1K 1RA), a company incorporated in England and Wales. The total amount of the investment as of 31 December 2018 was US$ 282,778 thousand (31 December 2017: US$ 278,960 thousand).

Group structure

The parent company - DTEK Energy B.V. (the "Parent Company") is a private limited liability company incorporated in the Netherlands on 16 April 2009. The Parent Company was formed through the contribution by System Capital Management Limited (SCM ltd.) and InvestCom Services Limited of their 100% equity interest in DTEK Holding Limited, a Cyprus registered entity and predecessor to the Parent Company. On 19 September 2014 the Parent Company changed its ultimate parent company to DTEK B.V. (the "Ultimate Parent Company"). The Ultimate Parent Company and its subsidiaries ("DTEK Group") are beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management ("SCM").

Going concern

The Group had an equity deficit of US$ 182,881 thousand and the Company had an equity deficit of US$ 769,151 thousand at 31 December 2018.

The Group's ability to continue as a going concern is highly dependent on the continued servicing of the interest payable on the loans issued to fellow subsidiaries of DTEK Energy B.V. ("DTEK Energy") and the repayment of the principal of the loans on or before their due dates (and for the Company, on dividends from its subsidiary DTEK Investments Limited).

As at 31 December 2018, DTEK Energy had an excess of current liabilities over current assets of US$ 72 million. This was caused by the classification as short-term liabilities of US$ 242 million of bank borrowings including interest accrued as current that are in default as at 31 December 2018.

The majority of DTEK Energy's revenue is generated in Ukraine and denominated in UAH (2018: 86% and 2017: 94 %, respectively), although DTEK Energy also receives some foreign currencies from its export of electricity and in the past through the export of coal. The majority of DTEK Energy's and the Group's debt is denominated in currencies other than UAH.

Due to the significant UAH devaluation during 2014 to 2016 management of the Group and DTEK Energy commenced discussions with lenders on both a bi-lateral and an all-party basis. However, DTEK Energy has not been able to finalize discussions with all of its lenders or execute the restructured bank debt documentation to extend the terms of all of its debt as at the date of preparation of these consolidated financial statements.

In December 2016 the Group's bonds for the amount of US$ 975 million were restructured. During 2016-2017, the Group restructured bonds and bank borrowings together with accrued interest for a total amount of US$ 1,483 million. Further, in September 2018, DTEK Energy's bank borrowings totaling US$ 275 million at the date of transaction were restructured.

The restructurings resulted in the modification of certain of the key terms and conditions in respect of the Restructured Debt aligned with the Override Agreement (see Note 10). However, of the remaining facilities US$ 242 million including interest accrued as at 31 December 2018, excluding sundry working capital loans, while aiming to achieve the same terms as accepted by all other bank lenders under the Bank Exchange Offer, remained in default and had not been restructured. Prior to the signing of these new restructuring agreements, these bank borrowings remain in default. Any repayment of debt in relation to the unrestructured part of the debt (US$ 242 million as at 31 December 2018) will be an event of default under the current terms of the Restructured Debt and Eurobonds.

Management has prepared monthly cash flow projections for periods throughout 2019 and the first six months of 2020. Judgments with regard to future electricity prices, coal volumes and the timing of settlements with various counterparties were required for the preparation of the cash flow projections. Management has estimated that the overall cash flows are positive, indicating that there is no liquidity gap in any months, based on the important assumptions in the cash flow projections, including: electricity tariffs increasing to offset the impact of cost inflation; improvement of the payment

1 The Organisation and its Operations (Continued)

discipline of accounts receivable by Energorynok SE; stabilisation of the UAH; the ability of the Group to export coal and electricity; and that lenders with whom the Group has yet to complete debt restructuring will not demand principal repayment.

Whilst the terms of the restructuring have been agreed with the bank lenders on the basis of binding heads of terms accepted by all of the bank lenders under the Bank Exchange Offer, management acknowledges that, prior to full completion of the restructuring of the remaining debt obligations that were subject to restructuring and completion of required procedures, there is a material uncertainty which may cast significant doubt about DTEK Energy's ability to continue as a going concern, and, therefore, it may be unable to realize DTEK Energy's assets and discharge its liabilities in the normal course of business.

Taking into account the ongoing restructuring process of some of the facilities and based on cash flow projections performed, management considers that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

The Directors of the Company and the Group note the material uncertainties, as detailed above, regarding matters relating to DTEK Energy's ability to service the debt facilities provided by the Group. The Directors believe that this material uncertainty that may cast significant doubt about DTEK Energy's ability to continue as a going concern creates the existence of a material uncertainty that may cast significant doubt about the Company's and the Group's ability to continue as a going concern. However, the Directors of the Company and the Group consider that the Company and the Group have access to adequate resources to continue their operations in their current capacity for the foreseeable future and that the preparation of these financial statements under the going concern basis is appropriate and accordingly that they will be able to realize their assets and discharge their liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Company and the Group were unable to continue as a going concern.

2 Critical accounting estimates and judgments

The Group performs an analysis of risk factors, which, if any should realise, would materially and adversely affect the results and financial position of DTEK Energy and therefore of the Group.

The preparation of financial statements in conformity with International Financial Reporting Standards (further "IFRS") requires management to make estimates and judgements that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses for the year. These estimates and assumptions are based on management's knowledge of the relevant facts and awareness of circumstances, having regard to prior experience.

Impairment assessment of loans receivable (Group and Company) and investment in subsidiary (Company)

The impairment assessment of the loans receivable and the investment in subsidiary is linked with the financial position of the entities of DTEK Energy. Management has noted that the overall cash flows of DTEK Energy are positive, indicating that there is no liquidity gap in any month, based on the key assumptions in the cash flow projections, including: electricity tariffs increasing to offset the impact of cost inflation; improvement of the payment discipline of accounts receivable by Energorynok SE; and the continued stabilisation of the UAH. Management have also noted the asset revaluations performed by DTEK Energy as at 31 December 2018, which has resulted in a significant uplift in the value of underlying assets. These factors evidenced the absence of impairment triggers in the investment in subsidiary (Note 6).

Expected credit losses (ECL) measurement

The Group recognizes ECLs for financial assets (loans receivable) based on their amortized cost and ECL rates. For all significant debtors and related parties, the calculation of expected credit losses is carried out on credit spread implicit in the average yield on bonds of similar credit risk companies and adjusted for maturity, risk free rate and liquidity premium. The rates used to estimate the ECL are represented in Notes 7 and 21.

Identification of the functional currency

The functional currency of the Company and its subsidiary is UAH. The Group represents the finance vehicle of DTEK Energy, whose primary economic environment is Ukraine. As noted above DTEK Energy is highly vulnerable to the volatility of the UAH since the majority of its operating and investing cash flows are denominated in the local currency with financing cash flows denominated in foreign currencies. Therefore, the operations of the Group and the Company are predominantly influenced by the UAH. Note 19 provides the sensitivity of the Group and the Company to the volatility of foreign exchange rates.

3 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS using the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Segment reporting

The Company and its subsidiary operate in a single segment and are created to serve as a finance vehicle for DTEK Energy.

New IFRS standards.

The Group has applied IFRS 9 for the first time for their annual reporting period commencing 1 January 2018. The Group had to change its accounting policies and make retrospective adjustments as a result of adopting this new standard. The impact of the adoption of this standard and the new accounting policies are disclosed in Note 21.

Related party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the Company and are under common control are considered a related party. In addition, statutory directors, other key management of DTEK Finance PLC or the Ultimate Parent Company and close relatives are regarded as related parties.

Notes to the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and cash equivalents. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Transactions not resulting in inflow or outflow of cash are not recognised in the cash flow statement. In the statement of cash flows, proceeds from and repayment of borrowings are presented within financing activity and the loans granted to fellow DTEK Energy companies are presented within investing activity. Interest associated with loans and borrowings is presented within operating activity.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"), which is Ukrainian Hryvna (UAH). The consolidated financial statements are presented in US Dollar (US$, "the presentation currency"). Transactions denominated in currencies other than the relevant functional currency are translated into the functional currency, using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses, resulting from settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities at year end, are recognised in the income statement. Translation at year end does not apply to non-monetary items including equity investments. The effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Changes in the fair value of monetary securities denominated in foreign currency are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences in non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences in non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences in non-monetary financial assets such as equities are included in the reserve in equity.

Foreign exchange differences classification. Foreign exchange transaction differences on accounts receivable, accounts payable, cash and cash equivalents and deposits placed are classified in consolidated income statement as "Net operating foreign exchange gains and losses". In addition, a cumulative gain or loss on hedges which relate to operating activity is reclassified in the same line item when a forecast transaction occurs. Transaction differences recognised on other monetary assets and liabilities are classified in consolidated income statement as "Foreign exchange losses less gains on financing and investing activities".

3 Accounting policies (Continued)

The results and financial position of each consolidated entity are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity. All the components of consolidated equity are translated at the closing rate of that balance sheet date, except for retained earnings and share capital, which is stated at historical rates.

The exchange rate used for the revaluation of the Statement of financial position from functional to presentation currency was 27.69 UAH/USD and 1.1454 USD/EUR as at 31 December 2018 (31 December 2017: 28.067 UAH/USD and 1.1934 USD/EUR). Average exchange rate for 2018 was 27,202 UAH/USD and 1.1811 USD/EUR (2017: 26.595 UAH/USD and 1.1289 USD/EUR).

Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Company carries the investments in subsidiaries at cost less any impairment in its separate financial statements.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected cash flows. Interest gains are recognised using the effective interest method. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 3 months. Cash and cash equivalents are stated at face value.

Financial instruments

Classification of financial assets. The Group classifies financial assets in the following measurement categories: fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVOCI) and at amortized cost (AC). The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

The business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

3 Accounting policies (Continued)

Initial recognition of financial instruments. The Group's principal financial instruments comprise loans and borrowings, cash and cash equivalents, financial liabilities designated at fair value through profit and loss, short-term deposits and financial guarantees.

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an expected credit losses (ECL) allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

Reclassification of financial assets. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

Impairment financial asset (credit loss allowance for ECL). The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Expected credit loss at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition.

1) A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity ("12 Months ECL").

2) If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments ("Lifetime ECL").

3) If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

Modification of financial assets. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial. If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Measurement categories of financial liabilities. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Derecognition of financial assets. The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

3 Accounting policies (Continued)

Derecognition of financial liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. While assessing if modification is substantial, management considers both quantitative and qualitative factors. Qualitative factors include change of form of the instrument, interest rate, change in covenants and guarantors. 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, are recognised in profit or loss.

Gains and losses on loans provided to related parties. Gains and losses on initial recognition and early repayment as well as unwinding of discount and foreign exchange differences on loans provided to related parties are recognized in consolidated income statements in the period when incurred.

Income taxes

Income taxes have been provided for in the financial statements in accordance with United Kingdom legislation enacted or substantively enacted by the reporting date. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity or other comprehensive income. In this case, the tax is also recognised directly in equity or other comprehensive income.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled or the related deferred income tax asset is realised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Borrowings

Borrowings comprise bank borrowings and are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method.

Finance income and costs

Finance income and costs comprise interest expense on borrowings, and interest income on loans receivable. All interest and other costs incurred in connection with borrowings are expensed using the effective interest rate method. Interest income is recognised as it accrues, taking into account the effective yield on the asset.

Financial guarantees

Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expected credit losses under IFRS 9.

3 Accounting policies (Continued)

New and amended standards adopted by the group.

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9, Financial Instruments (issued on 24 July 2014 and effective for annual periods beginning on or after 1 January 2018);
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

The impact of the adoption of IFRS 9 and the new accounting policies are disclosed in Note 21. The other new standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

The following new standards, which are not relevant or immaterial to the Group's financial statements, have been issued and endorsed by European Union:

- IFRS 16 – Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019);
- IFRS 15 - Revenue from Contracts with Customers (issued on 28 May 2014 and effective for annual periods beginning on or after 1 January 2018).

4 Finance income and costs

Finance income and finance costs of the Group for the year were as follows:

In thousands of US$	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Finance income		
Interest income on loans receivable	119,469	108,563
Interest income on deposit placed	335	515
Total finance income	**119,804**	**109,078**
Interest expense		
- Eurobonds issued	144,668	137,705
- bank borrowings	3,751	10,585
Amortized cost expenses on Eurobonds issue	726	518
Commitment fees on Eurobonds issue	-	778
Lock-up and restructuring fee related to exchange of the Eurobonds	-	1,172
Professional fees	-	149
Total finance costs	**149,145**	**150,907**
Total finance costs, net	**(29,341)**	**(41,829)**

Finance income and finance costs of the Company for the year were as follows:

In thousands of US$	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Finance income		
Interest income on loans receivable	32,306	28,827
Total finance income	**32,306**	**28,827**
Interest expense		
- Eurobonds issued	144,668	137,705
Commitment fees on Eurobonds issue	-	778
Amortized cost expenses on Eurobonds issue	726	518
Total finance costs	**145,394**	**139,001**
Total finance costs, net	**(113,088)**	**(110,174)**

5 General and administrative expenses

General and administrative expenses of the Group for the year were as follows:

In thousands of US$	Year ended 31 December 2018	Year ended 31 December 2017
Professional fees	1,390	128
Salary and taxes	753	-
Related parties fees	516	-
Audit fees	97	97
Bank charges	16	28
Depreciation	7	-
Total	**2,779**	**253**

The related parties fees consist of the office rent to an entity under common control of SCM

General and administrative expenses of the Company for the year were as follows:

In thousands of US$	Year ended 31 December 2018	Year ended 31 December 2017
Professional fees	1,136	30
Related parties fees	55	-
Salary and taxes	54	-
Audit fees	38	59
Bank charges	6	7
Total	**1,289**	**96**

The related parties fees consist of the office rent to an entity under common control of SCM.

During the year the Group obtained the following services from the Company's auditors:

In thousands of US$	Year ended* 31 December 2018	Year ended* 31 December 2017
Fees payable to the Company's auditors for the audit of the Company and consolidated financial statements	38	59
Fees payable to the Company's auditors for other services:		
The audit of the Company's subsidiary	59	38
Total audit services	**97**	**97**
Tax advisory services	116**	46
Total tax advisory services	**116**	**46**
Total	**213**	**143**

* *Amounts including VAT*

** *Includes US$ 32 thousand related to year 2017*

6 Investments in subsidiaries

The Company owns 100% of the issued share capital of DTEK Investments Limited, a company incorporated in England and Wales. As at 31 December 2018 the total amount of the investment was US$ 282,778 thousand (as at 31 December 2017: US$ 278,960 thousand). There were no factors evidencing the presence of impairment triggers of investment in subsidiary.

In thousands of US$	2018	2017
Opening balance as at 1 January	**278,960**	**287,951**
Foreign currency translation	3,818	(8,991)
Closing balance as at 31 December	**282,778**	**278,960**

7 Loans and interest receivable

As at 31 December, loans and interest receivable of the Group were as follows:

In thousands of US$	2018	1 January 2018*	2017
Non-current			
Loans granted to related parties	754,304	820,225	846,360
Total non-current loans receivable	**754,304**	**820,225**	**846,360**
Current			
Loans granted to related parties	231,515	342,104	353,742
Interest receivable	127,870	68,524	72,243
Total current loans and interest receivable	**359,385**	**410,628**	**425,985**

**effect from the first application of IFRS 9 (Note 21)*

The current loan receivables are all due within one year and carried at amortized cost. As at 31 December 2018 the current loans are US$ 231,515 thousand issued to the companies of DTEK Energy and carry interest ranging from 9% to 9.8% per annum. As at 31 December 2017 the current loans were EUR 38,340 thousand (equivalent to US$ 45,755 thousand) and US$ 307,987 thousand issued to the companies of DTEK Energy and carry interest ranging from 9% to 9.8% per annum.

As at 31 December 2018 non-current loans are EUR 17,448 thousand (equivalent to US$ 19,985 thousand) and US$ 734,319 thousand issued to companies of DTEK Energy and repayable in the years from 2018 to 2026 and carrying interest ranging from 5.5% to 10.89 % per annum. As at 31 December 2017 the non-current loans were EUR 33,846 thousand (equivalent to US$ 40,392 thousand) and US$ 805,968 thousand issued to the companies of DTEK Energy and repayable between 2018 and 2026 and carrying interest ranging from 7% to 9% per annum. The principal and interest amounts are payable at any time before the cut-off date at the behest of the borrower. For some contracts the interest is repayable on a quarterly basis.

In September 2018 the Group granted non-current loans of US$ 47,343 thousand to a subsidiary of DTEK Energy BV and the Company granted the non-current loans of US$ 19,312 to DTEK Investments Limited in accordance with the Deed of Novation of bank borrowings (Note 10). The new loans were issued with a maturity up to 31 December 2024, carrying interest of 10.89 % per annum.

As at 31 December, loans and interest receivable of the Company were as follows:

In thousands of US$	2018	1 January 2018*	2017
Non-current			
Loans granted to related parties	322,194	268,994	278,144
Total non-current loans receivable	**322,194**	**268,994**	**278,144**
Current			
Interest receivable	4,601	23,782	24,591
Total current loans and interest receivable	**4,601**	**23,782**	**24,591**

**effect from the first application of IFRS 9 (Note 21)*

As at 1 January 2018, the Group and Company applied an expected loss rate of 3.29% for the financial receivables from related parties, which are the only financial instruments represented in the Group and Company balance sheets. The loss allowances are measured on the basis of Lifetime 12-month ECL (Stage 1).

The impact of adoption of IFRS 9 resulted in the recognition of ECLs for loans provided to related parties totalling US$ 41,492 thousand (Group) and for loans provided to related parties and dividends receivable totalling US$ 15,315 thousand (Company) at 1 January 2018.

Further, additional ECL for the 12 months to 31 December 2018 of US$ 35,309 thousand (for Group) and US$ 11,776 thousand (for Company) were charged due to the increase in the expected loss rate to 6.47% by 31 December 2018. This growth resulted from an increase in the credit spread on corporate bonds used as a basis for the IFRS 9 expected credit losses measurement.

The table below represents the influence on different factors which caused the growth of ECL for the Group:

In thousand of US$	**Financial receivables**
Provision for impairment at 31 December 2017	**-**
Impact from the adoption of IFRS 9	41,492
Provision for impairment at 01 January 2018	**41,492**
Changes for the period of 2018 resulted from:	
ECL Rate growth	37,860
Balance sheet changes	(2,551)
Total changes for non-forex factors	*35,309*
Exchange rate difference	239
Total changes for the period of 2018	**35,548**
Provision for impairment at 31 December 2018	**77,040**

The table below represents the influence on different factors which caused the growth of ECL for the Company:

In thousand of US$	**Financial receivables**
Provision for impairment at 31 December 2017	**-**
Impact from the adoption of IFRS 9	15,315
Provision for impairment at 01 January 2018	**15,315**
Changes for the period of 2018 resulted from:	
ECL Rate growth	13,313
Balance sheet changes	(1,537)
Total changes for non-forex factors	*11,776*
Exchange rate difference	5
Total changes for the period of 2018	**11,781**
Provision for impairment at 31 December 2018	**27,096**

Had the ECL rate increased (decreased) by 1% the ECL would be US$ 11,912 thousand (for Group) and US$ 4,193 thousand (for Company) higher (lower).

8 Cash and Cash Equivalents

As at 31 December cash and cash equivalents of the Group were denominated in currencies as follows:

In thousands of US$	**2018**	**2017**
USD	370	200
EUR	75	3
GBP	19	3
RUB	1	1
Total cash and cash equivalents	**465**	**207**

As at 31 December cash and cash equivalents of the Company were denominated in currencies as follows:

In thousands of US$	**2018**	**2017**
USD	32	64
EUR	1	2
GBP	1	1
Total cash and cash equivalents	**34**	**67**

Cash and cash equivalents represent the cash in bank accounts. As at 31 December 2018 and at 31 December 2017 no cash and cash equivalents were restricted in use.

9 Equity

The authorised share capital of the Company comprises fifty thousand ordinary shares with a nominal value of GBP 1.00 per share (US$1.55086 per share). All issued shares are fully paid. All shares rank equally and have equal voting rights.

10 Borrowings and interest payable

As at 31 December, borrowings of the Group were as follows:

In thousands of US$	2018	2017
Non-current		
Eurobonds– nominal value	1,243,717	1,177,118
Amortized organizational fees	(6,323)	(7,049)
Bank borrowings	57,363	79,965
Total non-current borrowings	**1,294,757**	**1,250,034**
Current		
Bank borrowings	-	69,409
Interest accrual on bank borrowings	48	20,618
Interest accrual on loans from related parties	940	960
Total current borrowings and interest accrual	**988**	**90,987**

As at 31 December, borrowings of the Company were as follows:

In thousands of US$	31 December 2018	31 December 2017
Non-current		
Eurobonds– nominal value	1,243,717	1,177,118
Amortized organizational fees	(6,323)	(7,049)
Total non-current borrowings	**1,237,394**	**1,170,069**

Cash and non-cash movements in borrowings of the Group during the period were as follows

In thousands of US$	2018 Total	2018 Eurobonds	2018 Bank and other borrowings	2017 Total
Opening balance as at 1 January	**1,341,021**	**1,170,069**	**170,952**	**1,072,946**
Cash movements				
Repayment of borrowings	(22,602)	-	(22,602)	(26,711)
Interest paid during the period	(149,704)	(144,452)	(5,252)	(77,511)
Repayment of liability for the transferred borrowings to the subsidiary of DTEK Energy BV	(68,484)	-	(68,484)	-
Non-cash movements				
Interest accrued during the period*	153,704	144,668	9,036	149,068
Write-off the overcharged interest accrued*	(5,285)	-	(5,285)	-
Amortized organizational fees for Eurobonds	726	726	-	518
Transfer and recognition of Bank Borrowings upon restructuring	-	-	-	105,332
Recognition of Eurobonds upon restructuring	66,656	66,656	-	133,344
Extinguishment of Bank Borrowings due to conversion to Eurobonds	(19,313)	-	(19,313)	(17,537)
Capitalizing the organizational fees for Eurobonds	-	-	-	(1,426)
Foreign exchange loss/(gain)	(918)	(217)	(701)	2,998
Other movements	(56)	(56)	-	-
Closing balance as at 31 December	**1,295,745**	**1,237,394**	**58,351**	**1,341,021**

* The interest accrued during the period and the write-off of the overcharged interest accrued are presented net in the cash flow statement and Note 4.

10 Borrowings and interest accrual (Continued)

Cash and non-cash movements in borrowings of the Company during the period were as follows

In thousands of US$	2018*	2017*
Opening balance as at 1 January	**1,170,069**	**974,901**
Cash movements		
Interest paid during the period	(144,452)	(75,228)
Non-cash movements		
Interest accrued during the period	144,668	137,705
Amortized organizational fees for Eurobonds	726	518
Recognition of Eurobonds upon restructuring	66,656	133,344
Capitalizing the organizational fees for Eurobonds	-	(1,426)
Foreign exchange (gain)/loss	(217)	255
Other movements	(56)	-
Closing balance as at 31 December	**1,237,394**	**1,170,069**

**all of the movements are related to Eurobonds*

As at 31 December, the Group's borrowings were denominated in the following currencies:

In thousands of US$	2018	2017
USD	1,295,252	1,250,539
EUR	493	513
RUB	-	89,969
Total borrowings	**1,295,745**	**1,341,021**

As at 31 December, the maturity of the Group's loans and borrowings were as follows:

In thousands of US$	2018	2017
Loans and borrowings due:		
- within 1 year	988	90,987
- between 1 and 5 years	834,059	26,656
- after 5 years	460,698	1,223,378
Total borrowings	**1,295,745**	**1,341,021**

Eurobonds. In December 2016, the Group restructured all of its existing Eurobonds and exchanged them for new Eurobonds (the "New Notes") with an aggregate principal amount of US$ 1,275 million. In March 2017 bank debt of DTEK Energy of US$ 133 million was exchanged for the New Notes. Further, on 20 September 2018 as a result of restructuring part of the loans an amount of US$ 67 million was converted to the New Notes. As at 31 December 2018, the remaining portion of the Bank Exchange Offer totaling US$ 100 million has not been converted to the New Notes and is consequently classified as current bank borrowings of DTEK Energy.

According to the New Notes, approximately 50 percent of the interest accrued during the period ending 31 December 2017 was capitalised and added to the principal amount of New Notes pursuant the restructuring agreement. In 2018, considering the improving financial performance of DTEK Energy Group, management has decided to pay the interest accrued in 2018 in full.

The maturity of New Notes was extended to 31 December 2024. Fifty percent of the principal amount of the New Notes outstanding on 29 December 2023 will be redeemed by the Group on such date.

Since 2018 management has decided not to capitalize the interest accrued. In 2018 the interest accrued was paid in full. The nominal interest rate under the New Notes is 10.75%.

10 Borrowings and interest accrual (Continued)

Bank borrowings. On 29 March 2017, DTEK Energy restructured a significant portion of its bank borrowing (the "Restructured Bank Debt") by way of signing the Override Agreement. As part of the credit portfolio of the Group, bank borrowings of US$ 18 million were restructured according to the Override Agreement and then in 2017 transferred to the New Notes as part of the US$ 133 million as described above.

On 21 September 2018, the Group restructured the bank borrowings that were accounted originally in RUB by the way of amendment and restatement of the existing facility agreements, with the key terms and conditions substantially the same to the Override Agreement (including all amendments to the Override Agreement made since its effective date). As a result of restructuring, bank borrowings denominated in RUB for the amount of US$ 90 million (as at date of the transaction) were converted into EUR. In addition, at the date of restructuring, the overcharged balance of interest accrued in amount of US$ 5 million was written-off. Further, the restructured bank borrowings for the amount of US$ 19 million were converted into the New Notes as described above. The remaining part of the restructured bank borrowings for the amount of US$ 70 million was transferred to the subsidiary of DTEK Energy BV. The Group repaid the liability for the transferred bank borrowings to the subsidiary of DTEK Energy BV in full by 31 December 2018.

As at 31 December 2018 the long-term bank loans mature on 30 June 2023. Their nominal interest rate is Libor 1m+5.0%.

Covenants. Following the signing of the Restructured Bank Debt Documentation the Group and the Company is in compliance with the covenants relating to the New Notes and Restructured Bank Debt.

The New Notes and restructured bank debt contain specific covenants, including but not limited to limitations on distribution to shareholders (unless such distribution is made pursuant to mandatory requirements of the law), limits on capital expenditure, restrictions on permissible business activities, requirement to perform transactions on an arm's length basis, requirement to make periodic disclosure of financial information, permissible levels of additional financial indebtedness and cash interest cover.

Events of default are comprehensive and include cross-default to other debt of the Group. However, the cross-default clauses in the New Notes and Restructured Bank Debt Documentation excludes existing cross default in relation to the remaining unrestructured bank borrowings.

11 Other payables

As at 31 December, other payables of the Group were as follows:

In thousands of US$	31 December 2018	31 December 2017
Other payables to related parties	668	668
Other payables	330	1,009
Total	**998**	**1,677**

As at 31 December, trade and other payables of the Company were as follows:

In thousands of US$	31 December 2018	31 December 2017
Payables on demand for financial investments	206,025	206,025
Other payables to related parties	9	3
Other payables	257	296
Total	**206,291**	**206,324**

12 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return on capital to shareholders, issue new shares or sell assets to reduce debt.
The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net liabilities divided by total capital under management. Net debt is calculated as total borrowings (current and long-term as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital under management equals equity as shown in the consolidated statement of financial position.

As at 31 December 2018 the total net debt and total equity deficit of the Group were US$ 1,295,280 thousand and US$ 182,881 thousand respectively (31 December 2017: US$ 1,340,814 thousand and US$ 70,347 thousand), the net debt to equity ratio was (708) % (31 December 2017: (1,906) %).

13 Related party balances and transactions

At 31 December the outstanding balances, income and expense items with related parties of the Group were as follows:

In thousands of US$	2018	2017
Interest income (Note 4)	119,469	108,563
Loans granted and interest accrued (Note 7)	1,113,689	1,272,345
Loans received and interest accrued (Note 10)	940	960
Trade and other payables (Note 11)	668	668
Related parties fees (Note 5)	516	-

At 31 December the outstanding balances, income and expense items with related parties of the Company were as follows:

In thousands of US$	2018	2017
Interest income (Note 4)	32,306	28,827
Loans granted and interest accrued (Note 7)	326,795	302,735
Trade and other payables (Note 11)	206,034	206,028
Related parties fees (Note 5)	55	-

14 Ultimate controlling parties

DTEK Energy B.V., a company registered in the Netherlands, is the immediate parent company and DTEK B.V., a company registered in the Netherlands, is the ultimate parent company, which is beneficially owned by Mr. Rinat Akhmetov. DTEK Energy B.V. is the parent undertaking of the largest and the smallest group of undertakings to consolidate these financial statements.

15 Income tax expense

In thousands of US$	2018	2017
Current income tax expense	298	477
Income tax expense	**298**	**477**

The following table reconciles the expected income tax at the statutory income tax rate to the amounts recognised in the Consolidated Statement of Comprehensive Income:

In thousands of US$	2018	2017
(Loss) before income tax	(68,982)	(37,598)
Income tax rate	19%	19.25%
Income tax at statutory rates	(13,107)	(7,238)
Tax effect of:		
- Items not deductible or assessable for taxation purposes	13,405	7,715
Income tax expense	**298**	**477**

There was a change in the UK main corporation tax rate from 20% to 19%, effective from 1 April 2017. Further changes in the UK tax rates were substantively enacted. These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

The Group manages its tax affairs under Advanced Pricing Agreement signed with HMRC (APA). The APA stipulates the interest spread between the loans given and loans received of 11-15 bps.

16 Personnel

The Group and the Company had 6 and 3 employees respectively as at 31 December 2018. (2017: nil). The amount of salary and taxes paid to personal is disclosed in Note 5.

17 Directors' remuneration

During 2018, the remuneration of the directors consisted of 2 parts: 1) the salary of key personnel, for the amount of US$ 276 thousand (the permanent director was hired as a Director in April 2018); 2) US$ 4 thousand represented by short-term employee benefits (2017: US$ 5 thousand). Mr Timchenko provides management services to both the Ultimate parent and DTEK Finance PLC. The remuneration of Mr Timchenko is paid by other DTEK companies and it is not possible to make an accurate apportionment of his remuneration in respect of each of the companies. Accordingly, the above details include no remuneration in respect of Mr Timchenko. His total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of the Ultimate parent company.

18 Contingent liabilities

The Group together with other subsidiaries of the DTEK Energy have given guarantees in respect of the bank borrowings and available credit limits of fellow subsidiaries and affiliates, which amounted to EUR 216,967 thousand, US$ 138,026 thousand and UAH 438,836 thousand at 31 December 2018 (at 31 December 2017: EUR 170,221 thousand, US$ 167,110 thousand and UAH 543,234 thousand). The actual borrowings, including interest due, of fellow subsidiaries amounted to US$ 331,491 thousand at 31 December 2018 (at 31 December 2017: US$ 389,606 thousand).

19 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

Credit risk. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The maximum consolidated exposure of credit risk is shown in the table below:

In thousands of US$	**31 December 2018**	**31 December 2017**
Loans receivable (Note 7)	985,819	1,200,102
Interest receivable (Note 7)	127,870	72,243
Cash and cash equivalents (Note 8)	465	207
Total	**1,114,154**	**1,272,552**

All the loans receivable are neither past due nor impaired.

As at 31 December 2018 cash and cash equivalents of the Group of US$ 461 thousand were placed in banks rated by Moody's Investors Service as A3, US$ 4 thousand were placed in banks rated by Moody's Investors Service as Caa1.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity investments, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The Group functional currency is Ukrainian Hryvnia and accordingly its exposure to foreign currency risk is determined mainly by borrowings, gross settled derivative financial instruments, cash balances and deposits, which are denominated in or linked to USD, EUR and RUB. Increasing domestic uncertainty, led to volatility in the currency exchange market and resulted in significant downward pressure on the Ukrainian Hryvnia relative to major foreign currencies.

The following tables present sensitivities of profit or loss and equity before tax to reasonably possible changes in exchange rates applied at the balance sheet date relative to the functional currency.

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Group.

	At 31 December 2018		**At 31 December 2017**	
In thousands of US$	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US$ strengthening by 25% (2017: 50%)	(54,246)	(54,246)	(40,847)	(40,873)
US$ weakening by 25% (2017: 50%)	54,246	54,246	40,873	40,873
Euro strengthening by 25% (2017: 50%)	15,028	15,028	50,822	50,822
Euro weakening by 25% (2017: 50%)	(15,028)	(15,028)	(50,822)	(50,822)
RUB strengthening by 25% (2017: 50%)	0	0	(44,983)	(44,983)
RUB weakening by 25% (2017: 50%)	(0)	(0)	44,983	44,983
GBP strengthening by 25% (2017: 50%)	(200)	(200)	(210)	(210)
GBP weakening by 25% (2017: 50%)	200	200	210	210

19 Financial risk management (Continued)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Company.

In thousands of US$	At 31 December 2018 Impact on profit or loss	Impact on equity	At 31 December 2017 Impact on profit or loss	Impact on equity
US$ strengthening by 25% (2017: 50%)	(208,512)	(208,512)	(315,911)	(315,911)
US$ weakening by 25% (2017: 50%)	208,512	208,512	315,911	315,911
GBP strengthening by 25% (2017: 50%)	(8)	(8)	(19)	(19)
GBP weakening by 25% (2017: 50%)	8	8	19	19

Interest rate risk. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable interest rates expose the Group to interest rate risk. Borrowings at fixed rate expose the Group to fair value interest rate risk.

The Group's exposure to fixed or variable rates is determined at the time of issuing new debt. Management uses its judgment to decide whether fixed or variable rate would be more favorable to the Group over the expected period until maturity. The key objectives to financing is a reduction of borrowing costs, matching the currency of borrowings with the currency of proceeds from operating activities, and agreeing the maturity profile of borrowings with liquidity needs.

The maturity dates and interest rates of financial instruments are disclosed in Note 10. Re-pricing for fixed rate financial instruments occurs at maturity of fixed rate financial instruments. Re-pricing of floating rate financial instruments occurs continually.

At 31 December 2018, if interest rates on EUR and RUB denominated borrowings had been 200 basis points higher (2017: 200 basis points higher) with all other variables held constant, post-tax loss for the year would have been US$ 942 million higher (2017: US$ 2,788 million higher).

Liquidity risk. Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding to meet existing obligations as they fall due.
The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are undiscounted cash flows.

The maturity analysis of financial liabilities of the Group at 31 December 2018 is as follows:

In thousands of US$	Up to 6 months and on demand	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Eurobonds	43,918	44,857	106,435	1,116,719	847,832	2,159,761
Bank borrowings	4,023	3,824	7,226	57,370	-	72,443
Loans from related parties	-	940	-	-	-	940
Trade and other payables (Note 11)	998	-	-	-	-	998
Total future payments, including future principal and interest payments	**48,939**	**49,621**	**113,661**	**1,174,089**	**847,832**	**2,234,142**

The maturity analysis of financial liabilities of the Group at 31 December 2017 is as follows:

In thousands of US$	Up to 6 months and on demand	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Eurobonds	37,196	38,179	93,499	391,961	1,838,877	2,399,712
Bank borrowings	92,863	2,824	8,553	23,330	67,262	194,832
Loans from related parties	-	960	-	-	-	960
Trade and other payables (Note 11)	1,677	-	-	-	-	1,677
Total future payments, including future principal and interest payments	**131,736**	**41,963**	**102,052**	**415,291**	**1,906,139**	**2,597,181**

19 Financial risk management (Continued)

The maturity analysis of financial liabilities of the Company at 31 December 2018 is as follows:

In thousands of US$	**Up to 6 months and on demand**	**6 -12 months**	**1 - 2 years**	**2 - 5 years**	**Over 5 years**	**Total**
Liabilities						
Eurobonds	43,918	44,857	106,435	1,116,719	847,832	2,159,761
Trade and other payables (Note 11)	206,291	-	-	-	-	206,291
Total future payments, including future principal and interest payments	**250,209**	**44,857**	**106,435**	**1,116,719**	**847,832**	**2,366,052**

The maturity analysis of financial liabilities of the Company at 31 December 2017 is as follows:

In thousands of US$	**Up to 6 months and on demand**	**6 -12 months**	**1 - 2 years**	**2 - 5 years**	**Over 5 years**	**Total**
Liabilities						
Eurobonds	37,196	38,179	93,499	391,961	1,838,877	2,399,712
Trade and other payables (Note 11)	206,324	-	-	-	-	206,324
Total future payments, including future principal and interest payments	**243,520**	**38,179**	**93,499**	**391,961**	**1,838,877**	**2,606,036**

20 Fair value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Fair values were determined based on quoted market prices or third party valuations using discounted cash flows techniques.

Financial assets carried at amortised cost. All of the Group financial assets are carried at amortised cost using the effective interest method. These assets are not measured at fair value in the balance sheet, but for of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable is either close to current market rates or the instruments are short-term in nature.

Liabilities carried at amortised cost. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The estimated fair values of the financial liabilities are summarised in the table below. Carrying amounts of trade and other payables approximate fair values.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

20 Fair value of Financial Instruments (Continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy of liabilities of the Group not measured at fair value are as follows:

In thousands of US$	31 December 2018 Level 1	Level 2	Carrying value	31 December 2017 Level 1	Level 2	Carrying value
Financial liabilities						
Eurobonds (Note 10)	1,101,934	-	1,237,394	989,110	-	1,170,069
Borrowings and interest accrual (Note 10)	-	51,963	58,351	-	170,952	170,952
TOTAL LIABILITIES	**1,101,934**	**51,963**	**1,295,745**	**989,110**	**170,952**	**1,341,021**

Fair values analysed by level in the fair value hierarchy of assets and liabilities of the Company not measured at fair value are as follows:

In thousands of US$	31 December 2018 Level 1	Level 2	Carrying value	31 December 2017 Level 1	Level 2	Carrying value
Financial liabilities						
Eurobonds (Note 10)	1,101,934	-	1,237,394	1,191,703	-	1,170,069
TOTAL LIABILITIES	**1,101,934**	**-**	**1,237,394**	**1,191,703**	**-**	**1,170,069**

The description of valuation technique used in the fair value measurement for level 2 measurements:

In thousands of US$	Fair value level 2 2018	2017	Valuation technique
Financial liabilities			
Borrowings and interest accrual (Note 10)	51,963	170,952	Current cost accounting
Total liabilities	**51,963**	**170,952**	

21 Changes in accounting policies

The Group has initially adopted IFRS 9 Financial Instruments from 1 January 2018. This change in accounting policy has been reflected in the Group's financial statements as at and for the year ending 31 December 2018.

IFRS 9 Financial instruments
IFRS 9 was adopted without restating comparative information. The adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognized in the opening balance sheet on 1 January 2018.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements of the Group. The new accounting policies are set out below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The Group applies the IFRS 9 general approach to measuring ECLs which uses a three stage model for impairment, based on changes in credit quality since initial recognition.

1) A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity ("12 Months ECL").

2) If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments ("Lifetime ECL").

21 Changes in accounting policies (Continued)

3) If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as releasing security (if any is held).

Measurement of ECLs. For all significant debtors and related parties, the calculation of expected credit losses is carried out on credit spread implicit in the average yield on bonds of similar credit risk companies and adjusted for maturity, risk free rate and liquidity premium.

Credit-impaired financial assets. At each reporting date, the Group assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment. Impairment losses related to other receivables, including contract assets, are disclosed separately in Net impairment losses on financial assets in the statement of profit or loss.

Impact of the new impairment model. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

As at 1 January 2018, the Group and Company applied an expected loss rate of 3.29% for the financial receivables from related parties, which are the only financial instruments represented in the Group and Company balances. The loss allowances are measured on the basis of 12 Months ECL.

21 Changes in accounting policies (Continued)

The following table shows the adjustments recognized for the Group for each individual balance sheet line item.

In thousands of US$	31 December 2017	Effect from the first application of IFRS 9	1 January 2018
ASSETS			
Non-current assets			
Loans receivable	846,360	(26,135)	820,225
Total non-current assets	**846,360**	**(26,135)**	**820,225**
Current assets			
Loans receivable	353,742	(11,638)	342,104
Interest receivable	72,243	(3,719)	68,524
Cash and cash equivalents	207	-	207
Total current assets	**426,192**	**(15,357)**	**410,835**
TOTAL ASSETS	**1,272,552**	**(41,492)**	**1,231,060**
EQUITY			
Share capital	78	-	78
Other reserves	(348)	-	(348)
Currency translation reserve	(6,635)	-	(6,635)
Accumulated losses	(63,442)	(41,492)	(104,934)
TOTAL EQUITY	**(70,347)**	**(41,492)**	**(111,839)**
LIABILITIES			
Non-current liabilities			
Borrowings	1,250,034	-	1,250,034
Total non-current liabilities	**1,250,034**	**-**	**1,250,034**
Current liabilities			
Borrowings	69,409	-	69,409
Interest payable	21,578	-	21,578
Trade and other payables	1,677	-	1,677
Current income tax payable	201	-	201
Total current liabilities	**92,865**	**-**	**92,865**
TOTAL LIABILITIES	**1,342,899**	**-**	**1,342,899**
TOTAL LIABILITIES AND EQUITY	**1,272,552**	**(41,492)**	**1,231,060**

21 Changes in accounting policies (Continued)

The following table shows the adjustments recognized for the Company for each individual balance sheet line item.

In thousands of US$	31 December 2017	Effect from the first application of IFRS 9	1 January 2018
ASSETS			
Non-current assets			
Investments in subsidiaries	278,960	-	278,960
Loans receivable	278,144	(9,150)	268,994
Total non-current assets	**557,104**	**(9,150)**	**547,954**
Current assets			
Interest receivable	24,591	(809)	23,782
Dividends	162,773	(5,355)	157,418
Cash and cash equivalents	67	-	67
Total current assets	**187,431**	**(6,164)**	**181,266**
TOTAL ASSETS	**744,535**	**(15,315)**	**729,221**
EQUITY			
Share capital	78	-	78
Currency translation reserve	464,185	-	464,185
Accumulated losses	(1,096,121)	(15,315)	(1,111,435)
TOTAL EQUITY	**(631,858)**	**(15,315)**	**(647,172)**
LIABILITIES			
Non-current liabilities			
Eurobonds issued	1,170,069	-	1,170,069
Total non-current liabilities	**1,170,069**	**-**	**1,170,069**
Current liabilities			
Trade and other payables	206,324	-	206,324
Total current liabilities	**206,324**	**-**	**206,324**
TOTAL LIABILITIES	**1,376,393**	**-**	**1,376,393**
TOTAL LIABILITIES AND EQUITY	**744,535**	**(15,315)**	**729,221**

22 Subsequent events

There were no significant events subsequent to the year end.