

Kreditimi Rural i Kosoves LLC

**Independent Auditor's Report
and Financial Statements
as at and for the year ended December 31, 2018
prepared in accordance with International Financial Reporting Standards**

Independent Auditor's Report

To the Shareholders of
Kreditimi Rural i Kosoves LLC

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Opinion

We have audited the accompanying financial statements of Kreditimi Rural i Kosoves LLC (hereafter referred as the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of Kreditimi Rural i Kosoves LLC as of and for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 19 April 2018.

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

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

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

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

Independent Auditor's Report (continued)

To the Shareholders of Kreditimi Rural i Kosoves LLC (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Grant Thornton LLCPrishtina,
12 April 2019A handwritten signature in blue ink, appearing to read "Suzana Stavrikj".Suzana Stavrikj
Statutory auditor

KREDITIMI RURAL I KOSOVES LLC**Statement of financial position as at 31 December 2018***(all amounts are expressed in Euro, unless otherwise stated)*

	Note	31 December 2018	31 December 2017
ASSETS			
Cash and cash equivalents	6	1,486,797	1,698,012
Loans and advances to customers	7	34,201,554	26,923,009
Other assets	8	77,716	160,323
Prepaid income tax	22	5,000	5,000
Intangible assets	9	146,683	18,712
Property and equipment	10	483,649	430,671
Total assets		36,401,398	29,235,727
LIABILITIES			
Due to Savings and Credit Associations ("SCA")	11	18,696	44,539
Income tax payable		83,367	100,494
Accruals and other liabilities	12	652,098	157,398
Borrowings	13	27,039,259	22,023,242
Provisions related to AFD	14	127,439	127,439
Total liabilities		27,920,858	22,453,113
SHAREHOLDERS' EQUITY			
	15		
Share capital		489,700	489,700
Share premium		2,628,940	2,628,940
Risk fund reserve		18,904	18,904
Retained earnings		5,342,996	3,645,071
Total shareholders' equity		8,480,539	6,782,615
Total liabilities and shareholders' equity		36,401,398	29,235,727

The financial statements were authorised for issue by management on behalf of the Board of Directors of the Company, and signed on 12 April 2019 by:

Lulzim Sadrija
Chief Executive Office


Burbuqe Berisha
Finance Manager

The accompanying notes on pages 7 to 34 form an integral part of these financial statements.

KREDITIMI RURAL I KOSOVES LLC**Statement of profit or loss and other comprehensive income for the year ended 31
December 2018***(all amounts are expressed in Euro, unless otherwise stated)*

	Note	For the year ended 2018	For the year ended 2017
Interest income	16	7,015,964	5,442,277
Interest expense	17	<u>(1,627,982)</u>	<u>(1,283,863)</u>
Net interest income		<u>5,387,982</u>	<u>4,158,414</u>
Fee and commission income	18	-	669
Other income	19	<u>78,772</u>	<u>86,385</u>
		<u>78,772</u>	<u>87,054</u>
Operating income		<u>5,466,754</u>	<u>4,245,468</u>
Impairment losses on loans to customers and SCA's	7	(252,309)	16,253
Personnel costs	20	(2,039,835)	(1,672,571)
Depreciation and amortization	9,10	(174,190)	(142,022)
Provision charges	14	-	-
Other general and administrative expenses	21	<u>(824,645)</u>	<u>(818,654)</u>
		<u>(3,290,979)</u>	<u>(2,616,993)</u>
Profit before taxation		2,175,775	1,628,475
Income tax expense	22	(223,193)	(169,494)
		<u>1,952,582</u>	<u>1,458,981</u>
Profit for the year after tax		1,952,582	1,458,981
Other comprehensive income		-	-
Total comprehensive income for the year		<u>1,952,582</u>	<u>1,458,981</u>

The accompanying notes on pages 7 to 34 form an integral part of these financial statements