AGENCY FOR FINANCE IN KOSOVO

Financial Statements for the year ended December 31, 2024 prepared according to International Financial Reporting Standards (IFRS)

Contents

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Managment of the Agency for Finance in Kosovo

Opinion

We have audited financial statements of the Agency for Finance in Kosovo ("the Organization"), which comprise the statement of financial position as at December 31, 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including material accounting policy information.

In our opinion the financial statement presents fairly, in all material respects, the financial position of the Organization as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Organization in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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 these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of the Organization for the year ended 31 December 2023 have been audited by another auditor who issued an unmodified opinion on 31 May 2024.

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 IFRS, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibility 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Organization'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 Organization'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 Organization 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.

Nexia Kosova Audit LLC

Nexia Kosovo

Arzie Begolli
Certified Auditor

31 March 2025

Nexia Kosova Audit L.L.C

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Agency for Finance in Kosovo
Statement of Financial Position
As at December 31, 2024

	Note	31 December 2024 (in EUR)	31 December 2023 (in EUR)
Assets			
Cash and cash equivalents	8	5,398,197	3,399,932
Term deposit	8a	1,000,000	1,000,000
Loans to customers	9	75,008,245	61,439,785
Property and equipment	10	461,637	578,427
Intangible assets	11	259,760	217,232
Right of use assets	12	699,842	609,854
Other assets	13	123,907	87,900
Total assets		**82,951,588**	**67,333,130**
Liabilities			
Borrowings	14	66,368,516	52,723,943
Lease liabilities	12	743,424	659,422
Other liabilities	15	226,471	184,667
Provisions	16	178,513	147,713
Total liabilities		**67,516,924**	**53,715,745**
Fund balance			
Donated funds	17	2,093,605	2,093,605
Retained surplus		13,341,059	11,523,780
Total fund balance		**15,434,664**	**13,617,385**
Total liabilities and fund balance		**82,951,588**	**67,333,130**

These financial statements are authorized for issue by the management of Agency for Finance in Kosovo on March 28, 2025.

MSc. Xhevdet Spahija
Chief Executive Officer

MSc. Zamire Deçani Beqiri
Chief Financial Officer

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

Agency for Finance in Kosovo
Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 31, 2024

	Note	Year ended December 31, 2024 (in EUR)	Year ended December 31, 2023 (in EUR)
Interest income	18	12,574,069	10,457,533
Interest expenses	14	(3,986,680)	(2,777,013)
Net interest income		**8,587,389**	**7,680,520**
Other income	19	157,980	180,592
Credit Loss recovery (expense) on Loans and advances to customers	9	(486,077)	610,997
Personnel expenses	20	(4,296,104)	(3,950,940)
Depreciation and amortization	10-11	(273,309)	(271,480)
General and administrative expenses	21	(1,475,219)	(1,310,699)
Amortisation of Right of Use Assets	12	(397,381)	(389,001)
Surplus for the year		**1,817,279**	**2,549,989**
Other comprehensive income		-	-
Total comprehensive surplus for the year		**1,817,279**	**2,549,989**

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

Agency for Finance in Kosovo
Statement of Changes in Equity
For the year ended December 31, 2024

	Donated funds (in EUR)	Retained surplus (in EUR)	Total Fund Balance (in EUR)
Balance as at January 1, 2023	**2,093,605**	**8,973,791**	**11,067,396**
Surplus for the year	-	2,549,989	**2,549,989**
Other comprehensive income	-	-	-
Balance as at December 31, 2023	**2,093,605**	**11,523,780**	**13,617,385**
Surplus for the year	-	**1,817,279**	**1,817,279**
Other comprehensive income	-	-	-
Balance as at December 31, 2024	**2,093,605**	**13,341,059**	**15,434,664**

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

Agency for Finance in Kosovo
Statement of Cash Flows
For the year ended December 31, 2024

	Note	31 December 2024 (in EUR)	31 December 2023 (in EUR)
Cash flows from operating activities			
Surplus for the year		1,817,279	2,549,989
Adjustments for:			
Depreciation and amortization	10-11	273,309	271,480
Amortisation of the right of use asset	12	397,381	389,001
Credit loss expense on financial assets	9	486,077	(610,997)
Provisions	16	178,513	147,713
Interest income	18	(12,574,069)	(10,457,533)
Interest expense	14	3,530,128	2,737,220
Interest expense - component IFRS 16		34,416	39,793
		(5,856,966)	**(4,933,334)**
Changes in:			
Loans to customers		(13,943,901)	(11,259,534)
Term deposit		-	(1,000,000)
Other assets		(36,007)	-
Other liabilities		125,807	(154,953)
Changes in working capital			
Interest received		12,652,816	10,483,438
Net cash used in operating activities		**(7,058,251)**	**(6,864,383)**
Cash flow from investing activities			
Acquisitions of property	10	(64,961)	(404,915)
Acquisitions of intangible assets	11	(134,086)	(40,100)
Cash flow used in investing activities		**(199,047)**	**(445,015)**
Cash flow from financing activities			
Proceed from new borrowing during the year	14	33,300,000	28,067,000
Repayment of borrowings during the year	14	(19,956,449)	(17,657,987)
Repayment of lease liabilities		(436,745)	(424,144)
Interest paid from borrowing	14	(3,651,243)	(2,519,413)
Cash flow from financing activities		**9,255,563**	**7,465,456**
Net increase in cash and cash equivalents		**1,998,265**	**156,058**
Cash and cash equivalents at the beginning of the year		3,399,932	3,243,874
Cash and cash equivalents at the end of the year	8	**5,398,197**	**3,399,932**

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

1. GENERAL

The Agency for Finance in Kosovo (the "Organization" or "AFK") was established in Kosovo in October 2000 as a microfinance institution and was financed from contributions received through Mercy Corps ("MC"), a US-based Non-Governmental Organization. Its mission is to provide assistance and support for the development of small and medium sized enterprises in Kosovo through extending loans and providing advice on business related issues.

The respective roles and responsibilities of the Organization and Mercy Corps were outlined in a Memorandum of Understanding ("MOU") initially effective from 21 February 2002 to 30 June 2008, and further extended on 30 June 2008 for an initial period of five years, and renewable upon consent of both parties.

Based on a grant agreement signed by the Organization and Mercy Corps in December 2016, the loan amount of EUR 2,235,788 was donated to AFK (see Note 16). The grant is subject to the terms and conditions under Paragraph 5 of the grant agreement, which stipulates that Mercy Corps grants to AFK all its rights and interests related to the loan.

The organization operates with 29 offices (2023: 29) throughout Kosovo and its headquarters is located in Peja, street "Lidhja e Prizrenit", No.1. As of December 31, 2024, the Organization had 270 employees (2023: 256 employees).

2. BASIS OF PREPARATION

2.1. Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

2.2. Basis of preparation

The financial statements have been prepared on the historical cost basis.

2.3. Functional and presentation currency

These financial statements are presented in Euro ("EUR"), which is the Organization's functional currency.

2.4. Use of assessments and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Organization's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in notes 5 and 6.

2.5. Going concern

The Management of the Organization has made an assessment on the ability of the Organization of going concern principle and thinks that there are sufficient resources to continue the activity for the foreseeable future. Also, management is unaware of any material uncertainties that may cast serious doubt on the Organization's ability to pursue the principle of continuity. Therefore, the financial statements continue to be prepared on a going concern basis.

3. MATERIAL ACCOUNTING POLICIES INFORMATIONS

The Organization has consistently applied the following accounting policies to all periods presented in these financial statements.

3.1. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency ruling at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency profit or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historic cost, are translated at the prevailing foreign exchange rate at the date of the transaction.

3.2. Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in profit or loss include interest on financial assets and financial liabilities at amortized cost on an effective interest rate basis.

The Organization calculates interest income on financial assets, other than those considered credit impaired by applying the EIR to the gross carrying amount of the financial assest.

When a financial asset becomes credit impaired and is therefore regarded as stage 3 the organization calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit impaired, the Organization reverts to the calculating interest income on a gross basis.

3.3. Fees and commissions

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fee and commission income is recognized at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the services.The performance obligations, timing of their satisfaction, at a point in time or over-time, are identified and determined at the insception of the contract.

3.4. IFRS 16: Leases

The Organization recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less. Right-of-use assets are amortized on a straight-line basis over the lease term. The right-of-use assets are presented within a Note 11.

The weighted monthly average borrowing rate published by the central Bank is applied by the Organization for meaurent of new or modified lease liabilities, During 2024, these ratës were 5.8% . The Organization has 30 rented offices in Kosovo. Lease contracts are usually made for fixed periods from 1 year to 5 years, but may have the possibility of extension.

3. MATERIAL ACCOUNTING INFORMATIONS (CONTINUED)

3.5. Income tax

AFK was created as a non-profit Organization and obtained Public Beneficiary Status in 2006. Based on the Law on Corporate Income Tax no. 06/L-105, the Organization is not subject to income tax.

3.6. Financial assets and liabilities

a) Recognition

The organization initially recognizes loans to customers and borrowings on the date they are originated. All other financial assets and liabilities (including regular purchases and sales) are initially recognized on the trade date, which is the date on which the Organization becomes a party to the contractual terms of the instrument.

A financial asset or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

b) Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortized cost (AC)
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI).

Conditions for financial assets to be classified either under 'amortized cost', fair value through other comprehensive income (FVOCI), or 'Fair Value Through Profit or Loss ("FVTPL") category is that the contractual terms of the financial asset should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Organization has performed the SPPI test and has determined the business models for its financial assets.

Business model assessment

The Organization has assessed the business model for its financial assets as below:

Loans and advances to customers

Loans and advances to customers consist of various financing facilities such as Agriculture, Services, consumer, trade, housing, and manufacturing. These products are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and which are held for collection of contractual cash flows of principal and interest.

The fair value of the loans and advances to customers is not a critical aspect in the Organization's management of the portfolio.

The business model of the Organization under IFRS 9 is "HTC" and the loans and advances to customers shall be measured at amortized cost.

All financial assts are presently classified in the Amortised Cost category.

3. MATERIAL ACCOUNTING INFORMATIONS (CONTINUED)

3.6. Financial assets and liabilities (continued)

Subsequent measurement of financial assets

Financial assets at amortized cost

After initial recognition, these are measured at amortized cost using the effective interest method. The Organization's cash and cash equivalents, loans and most of other receivables fall into this category of financial instruments De-recognition.

The Organization derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Organization is recognized as a separate asset or liability.

The Organization derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

c) Offsetting

Financial assets and liabilities are set off and the net amount is presented in the statement of financial position when, and only when, the Organization has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses created from a group of transactions similar to those in the trading activity of the Organization.

f) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Organization has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Organization establishes fair value by using a valuation technique. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. For these financial instruments, inputs into models are market observable.

g) Identification and measurement of impairment

The measurement of expected credit losses under IFRS 9 uses the information and approaches that the organisation uses to manage credit risk. The Organisation segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of characteristics such as product type as well as borrower characteristics. Credit losses are calculated using a three stages impairment model, based on whether there has been a significant increase in the credit risk of a financial asset since its initial recognition.

The Organisation applies a model for its key portfolios in which its customers are rated from 1 to 4 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. The organisation where practical also uses information from Kosovo Credit Registry.

3. MATERIAL ACCOUNTING INFORMATIONS (CONTINUED)

3.6. Financial assets and liabilities (continued)

g) Identification and measurement of impairment (continued)

This information source is first used to determine the rating grades within the CBK Credit Classification framework. The internal credit grades are assigned based on these CBK Credit Classification framework grades. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure.

The key inputs into measurement for expected credit losses are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD), and
- Exposure at default (EAD).

Probability of Default ("PD") – this is an estimate of the likelihood of default over a given time horizon (either 12 months or lifetime). PD is estimated using 60 months collected default data adjusted for forward looking information (GDP, , unemployment rate, and inflation).

PDs are defined for all risk-relevant sub-portfolios (Agricultural, Business and Family), and depend on several client characteristics (like the risk classification for business clients).

The uncertainty inherent in the macroeconomic outlook of the upcoming period is addressed by considering several macroeconomic scenarios, using them to derive alternative PiT PD forecasts, and applying a weighted average of them as the final parameter for the ECL calculation. The Base, Optimistic and Pessimistic scenarios are weighted as 50%, 20% and 30% respectively.

12 month PD is calculated by the percentage of loans that have become defaulted within during their lifetime. The percentage is based on the number of loans and it is not weighted by the amount outstanding. If the 12 month PD or scaled PD is less than 0.05% a PD floor of 0.05% will be applied. The PD floor is in line with the best practices and the EU Capital Requirements Regulation (CRR3) amendment.

Loss Given Default ("LGD") – this is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD (Loss exposed on the case of non-payment). The Organisation for IFRS 9 LGD uses LGD of 75% for stage 1 and 2 loans and 100% for stage 3 loans. The inputs for these LGD rates are calibrated through back testing against recent recoveries.

An asset is considered as having defaulted if any repayment (principal or interest) is overdue for more than 90 days or if the counterparty is in a proven situation of default (bankruptcy). The Organisation has aligned its definition of credit impaired assets under IFRS 9 to the CBK definition of non- performing loans (NPLs).

Exposure at Default ("EAD") – this is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD of a financial asset represents its gross carrying amount at the time of default subject to the impairment calculation, addressing both the counterparty's ability to increase its exposure while approaching default.

However, factors to be considered when determining whether credit risk has increased significantly for all loans, and hence determine the staging of the loans are listed below:

- Credit risk classification
- Rebuttable presumption that more than 30 days past due indicate a significant increase in credit risk).
- General indicators of credit risk changes as defined by the standard
- Forward looking information (GDP, unemployment rate, inflation)

3. MATERIAL ACCOUNTING INFORMATIONS (CONTINUED)

3.6. Financial assets and liabilities (continued)

g) Identification and measurement of impairment (continued)

Losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate.

The Organization writes off certain loans to customers when they are determined to be uncollectible.

Classification and measurement of financial liabilities

The Organization's financial liabilities include borrowings from banks and other financial institutions and other payables.

Financial liabilities are initially measured at FLPLsubsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). The Organisation has not designated any liabilities as FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within interest expense and interest income.

Borrowings and subordinated debt

Borrowings and subordinated debts are part of the Organization's main source of finance.
Borrowings and subordinated debts are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortized cost using the effective interest method.

The Organization pays withholding tax of 10% of gross amounts of interest paid to its lenders in accordance with the agreed terms and conditions.

3.7. Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Organization in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

3.8. Property and equipment

(i) Recognition and measurement

Offices and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss.

(ii) Subsequent cost

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Organization and its cost can be measured reliably. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

3. MATERIAL ACCOUNTING INFORMATIONS (CONTINUED)

3.8. Property and equipment (continued)

(iii) Depreciation

Depreciation on items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	2024	2023
Office equipment and other	20%	20%
Computers and IT Equipment	20%	20%
Vehicles	20%	20%

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

3.9. Intangible assets

(i) Recognition and measurement

a) Intangible assets that are acquired by the Organization are stated at cost less accumulated amortization and impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

(iii) Amortisation

Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the intangible assets are from 3 to 5 years.

(iv) Impairment of non-financial assets

Imparment of non-financial assets property plant and equipment, Intangible assets and right of use of assets Organization asses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, managments estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or CGU's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year.

3.10. Employee benefits

The local authorities are responsible for providing the legally set minimum threshold for pensions in Kosovo under a defined contribution pension plan. Obligations for compulsory contributions to that defined contribution pension plan are recognized as an expense in profit or loss when they are due.

3.11. Provisions

A provision is recognized if, as a result of a past event, the Organization has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.12. Reclassifications

Where applicable, comparative figures have been reclassified to conform to changes in presentation in the current year and disclosed in statement of comprehensive income interes espense on lease is moved from general and admistrative expenses to interest expense.

4. Adoption of new or revised standards and interpretations

The following new amendments to the existing standards issued by the International Accounting Standards Board (IASB) are effective for the current reporting period.

- **IFRS 9 - Financial Instruments**
  The amendments to IFRS 9 address the derecognition criteria for electronic payments, the classification of financial assets, and the scope of IFRS 9 relating to contracts referencing nature-dependent electricity. Effective from 1 January 2026, these amendments will impact IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures, including financial assets with ESG-linked features and the settlement of financial liabilities by electronic payments.

- **IAS 21 - Lack of Exchangeability (Amendments)**
  The amendments to IAS 21 provide guidance on how to account for situations where exchangeability between the two currencies is lacking. This amendment aims to ensure consistent application of the standard in such scenarios. Effective from 1 January 2025, this amendment addresses the effects of changes in foreign exchange rates.

- **IAS 7 and IFRS 7 - Supplier Finance Arrangements (Amendments)**
  These amendments require entities to disclose information about supplier finance arrangements, including the terms and conditions, the amount of liabilities recognized, and the impact on the entity's liquidity. Effective from 1 January 2025, this amendment will impact the presentation requirements for liabilities and associated cash flows arising from supply chain financing arrangements.

- **IFRS 18 - Presentation and Disclosure in Financial Statements**
  IFRS 18 introduces new requirements for the presentation and disclosure of financial statements, replacing IAS 1. This standard aims to improve the clarity and comparability of financial statements by providing more detailed guidance on the structure and content of financial reports. Effective from 1 January 2027, this new standard replaces IAS 1 and aims to enhance the presentation and disclosure requirements in financial statements.

- **IFRS 16 IFRS 19 - Subsidiaries without Public Accountability: Disclosures**
  IFRS 19 provides optional disclosure requirements for subsidiaries that do not have public accountability. This standard allows such entities to reduce the volume of disclosures in their financial statements, thereby simplifying the reporting process. Effective from 1 January 2027, this optional standard permits certain entities to reduce the disclosures they are required to provide in financial statements.

The Organization has elected not to adopt these standards, amendments to existing standards and new interpretations in advance of their effective dates. The Management anticipates that the adoption of these standards amendments to existing standards and new interpretations will have no material impact on the financial statements of the Organization in the period of initial application.

5. FINANCIAL RISK MANAGEMENT

5.1. Introduction and general overview

The Organization has exposure to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk
- Market risk

This note presents information about the Organization's exposure to each of the above risks, the Organization's objectives, policies and processes for measuring and managing risk, and the Organization's management of capital.

Risk managment framework

The Board of Directors has overall responsibility for the establishment and oversight of the Organization's risk management framework. The board and management have set up various committees which are responsible for developing and monitoring risk policies as a whole.

The Organization's risk management policies are established to identify and analyze the risks faced by the Organization, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Organization, through its training and procedures and policies for management, aims to develop a constructive control environment, in which all employees understand their roles and obligations.

5.2. Credit risk

Credit risk is the risk that if a client or the counter party to a financial instrument will fail to repay the obligation and cause the Organization to incur a loss. The Organization manages credit risk by dealing only with approved counter parties under specific credit terms. The Organization's primary exposure to credit risk arises through its loans to customers.

Concentrations of credit risk (whether on or off balance sheet) arise from inability of customers to meet contractual obligations which might be affected from the operating environment or their business cycles. The Organization has no significant exposure to any individual customer or counterparty and typically lends no more than EUR 25,000 to any single customer.

The Organization also has exposure to banks in the form of bank accounts and deposits. The credit risk related to banks is managed through allocation of available funds to a number of retail banks operating in Kosovo.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Credit risk management

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. The credit department is required to implement credit policies and procedures and is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios. The Organization's policy is to require suitable collateral to be provided by the customers prior to the disbursement of approved loans.

Collateral for loans is usually obtained in the form of vehicles/equipment and goods, or mortgages.

Performance limits – Borrowings covenants

- Portfolio at risk> 30 days: not more than 5%
- Portfolio at risk ('PAR')> 30 days and restructured loans: not more than 5%
- Risk coverage ratio (including PAR> 30 days and restructured loans) more than 100%. Divided amount of the Loan Loss Reserves of the Borrower by the Borrower's outstanding balance of Portfolio at risk more than 30 days past due and any rescheduled or refinanced loan claims that have not been overdue for more than 30 days.

Exposure to credit risk

	December 31, 2024	December 31, 2023
Collectively assessed loans	75,662,420	61,718,519
Impairment losses	(654,175)	(278,734)
	75,008,245	**61,439,785**
	-	
Net carrying amount of loans	-	**61,439,785**
	75,008,245	
Loans with renegotiated terms		
Carrying amount	30,365	40,444
Allowance for impairment	(11,103)	(10,079)
Net carrying amount	**19,262**	**30,365**

Impaired loans

Impaired loans are loans for which the Organization determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan. These loans are graded A to E in the Organization's internal credit risk grading system.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Organization has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

Allowances for impairment

The Organization establishes an allowance for impairment losses that represents its expected credit losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

ECL is estimated under three different scenarios: Baseline (typical), Best (favourable) and Adverse (unfavourable) condition, with weights 50%, 20% and 30% respectively. The final ECL is the probability weighted ECL under those three scenarios.

Write-off policy

The Organization writes-off a loan balance (and any related allowances for impairment) when management determines that the loans are uncollectible. This conclusion is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient pay back the entire exposure. The Organization can also write-off a loan on the basis of a Board decision when all other measures taken to collect the loan have been unsuccessful.

Currently AFK does not have an internal credit rating system. In order to meet the minimum requirements and standards of credit risk management issued by the Central Bank of the Republic of Kosovo, AFK is using a regulatory rating system which is represented by 5 grades, as follows:

	December 31, 2024			December 31, 2023		
Loans by risk grading	Gross amount	Allowance for Impairment	Carrying amount	Gross amount	Allowance for Impairment	Carrying amount
A: 0-Standard	75,027,087	(276,202)	74,750,884	61,326,005	(95,198)	61,230,807
A: 1-30-Watch-list	178,547	(471)	178,077	172,625	(245)	172,380
B: 31-60-Substandard	81,311	(23,624)	57,687	27,360	(5,404)	21,956
C: 61-90-Doubtful	28,899	(7,302)	21,597	21,170	(6,528)	14,642
D: 91-180-Loss	141,957	(141,957)	-	45,214	(45,214)	
E: over 180	204,619	(204,619)	-	126,145	(126,145)	-
Total	**75,662,420**	**(654,175)**	**75,008,245**	**61,718,519**	**(278,734)**	**61,439,785**

The risk grading is primarily based on days overdue. The Agency issues small loans and the days past due indicator is the best and earliest predictor of change in credit risk.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

Write-off policy (continued)

Changes in the gross carrying amount of loans to customers at amortized cost

	Stage 1	Stage 2	Stage 3	Total
Initial balance at December 31, 2023	61,499,297	48,530	171,359	61,719,186
Transfer to stage 1 (of 2 or 3)	8,609	(8,609)	-	-
Transfer to stage 2 (of 1 or 3)	(153,563)	155,204	(1,641)	-
Transfer to stage 3 (of 1 or 2)	(348,062)	(37,060)	385,122	-
New financial assets with originated	75,021,389	-	-	75,021,389
De-recognition of financial assets	(60,822,035)	(47,856)	(62,894)	(60,932,785)
Total movements with impact on credit loss allowance charge for the period	-	-	-	-
Movements without impact on credit loss allowance charge for the period:	-	-	-	-
Write-offs	-	-	(145,370)	(145,370)
Final balance at December 31, 2024	**75,205,635**	**110,209**	**346,576**	**75,662,420**

Changes in the ECL amount for loans to customers at amortized cost

	Stage 1	Stage 2	Stage 3	Total
Initial balance at December 31, 2023	95,444	11,932	171,359	278,735
Transfer to stage 1 (from 2 or 3)	529	(529)	-	-
Transfer to stage 2 (from 1 or 3)	(256)	1,897	(1,641)	-
Transfer to stage 3 (from 1 or 2)	(556)	(6,735)	7,291	-
Financial assets with origin or purchased	237,041	-	-	237,041
De-recognition of financial assets	(71,229)	(4,659)	(3,132)	(79,020)
Changes in Credit Risk	15,702	29,019	318,068	362,789
Total movements with impact on credit loss allowance charge for the period	-	-	-	-
Movements without impact on credit loss allowance charge for the period:	-	-	-	-
Write-offs	-	-	(145,370)	(145,370)
Final balance at December 31, 2024	**276,675**	**30,925**	**346,575**	**654,175**

Maximum Credit Risk Exposure - Financial Instruments Subject to Impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which ECL assistance is recognized. The gross carrying amount of the financial assets below also represents the Organization's maximum exposure to credit risk for those assets before collateral and other credit improvements.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

Credit risk exposure (continued)

Maximum Credit Risk Exposure - Financial Instruments Subject to Impairment (continued)

The organization monitors credit risk concentrations by sector. The analysis of the concentration of credit risk for loans and advances to gross customers at the reporting date is presented below.

Summary of loans and impairment by sector and stage classification 2024

PD segment	Stage 1	Stage 2	Stage 3	Total
Agriculture	16,962,807	9,583	54,975	**17,027,365**
Family	21,180,704	17,392	44,695	**21,242,791**
Business	37,062,123	83,235	246,906	**37,392,264**
Gross carrying amount	**75,205,634**	**110,210**	**346,576**	**75,662,420**
Loss allowance	(276,674)	(30,925)	(346,576)	**(654,175)**
Grand Total	**74,928,960**	**79,285**	-	**75,008,245**

Summary of loans and impairment by sector and stage classification 2023

PD segment	Stage 1	Stage 2	Stage 3	Total
Agriculture	15,877,910	9,033	27,566	**15,914,509**
Family	5,446,548	2,457	16,155	**5,465,160**
Business	40,174,172	37,040	127,638	**40,338,850**
Gross carrying amount	**61,498,630**	**48,530**	**171,359**	**61,718,519**
Loss allowance	(95,443)	(11,932)	(171,359)	**(278,734)**
Grand Total	**61,403,187**	**36,598**	-	**61,439,785**

Collateral

The Organization holds collateral against loans to customers in the form of mortgages, vehicles and equipment. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. The collateral coverage is calculated when the loan is disbursed and is required at least 100% of the loan amount disbursed.

Information on loans by type of collateral as at December 31, 2024 and 2023 is as follows:

	2024	2023
Carrying amount of loans secured by:		
Vehicles	51,057,541	40,923,497
Property	1,186,686	612,611
Equipment	10,875,361	11,222,731
Non secured loans	12,542,831	8,959,680
Loans for clients	**75,662,419**	**61,718,519**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

Concentration

The concentration of credit risk by sector at the reporting date is shown below:

	Loans to customers	
	2024	2023
Book Value		
Concentration by sector:		
Medium-sized enterprises	177,232	82,948
Small enterprises	57,886,702	56,369,366
Individuals	17,598,485	5,266,205
Total	**75,662,419**	**61,718,519**

5.3. Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations from financial liabilities.

Management of liquidity risk

The Organization's approach to liquidity risk management is to ensure that, as far as possible, that it has sufficient liquidity to meet its obligations, when necessary, under normal circumstances and under pressure, without incurring unreasonable losses or damage the reputation of the Organization.

The main responsibility for the management of the Organization's liquidity position remains with Asset and Liability Committee ("ALCO") which is composed of 5 permanent members and other invitees as necessary. The ALCO members meet monthly to discuss the reports prepared by Finance Department and suggest appropriate measures in order to better manage financial risk in order minimize business disruption due to liquidity issues and to optimize financial performance.

Responsibility for selecting and implementing emergency plans lie with the Finance Manager, conjunction with the Executive Director and the Assets and Liabilities Committee, and the Board. Indicators used by the Organization to measure the liquidity risk are as follows:

Maturity of assets and liabilities - AFK will evaluate the actual maturity mismatch on the inflow and outflow of funds on an ongoing basis. This analysis considers liquidity risk by showing in which periods AFK has a shortage or low liquidity. This allows the AFK treasurer sufficient time to obtain additional funds to cover the liability needs and any potential shortage. Compliance with the assets and liabilities by maturity is a key tool in monitoring the current liquidity position of the AFK.

Concentration of funding - This indicator is linked to the analysis of the concentrations of the major sources of funding and debt instruments entered by AFK. The soft limit is that no single funder will exceed 30% of the total liabilities of AFK. As a hard limit, no single funder can ever exceed 35% of total liabilities for 3 consecutive months.

Additionally, AFK monitors the amount of liabilities to be replaced on a month-by-month basis projecting out 12 months. Beyond that duration, projections are made on a quarterly and annual, basis. The soft limit on the percentage of liabilities to be refinanced in the next 12 months/total liabilities is 40%.

Liquidity assurance - This indicator is used to ensure AFK has sufficient levels of liquid asset that can be easily converted into cash to meet organizational needs.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3. Liquidity risk (continued)

Risk Limits

The following are the main limits that the Angency monitors in order to be in compliance with the various loan covenants:

- Fund balance to borrowed funds should not be less than 18%
- Cumulative gap should be no less than (-100%)
- Liquid assets ratio should not be less than 5% of total assets
- Cash reserve of at least 1.5 weeks
- Single creditor/total liabilities should not exceed 25% Performance limit.

The Organization has also designed three different Contingency funding plans to cover potential liquidity issues due to any unexpected external shock like economic crisis, natural disaster.

Exposure to liquidity risk

Borrowings and debts are the main source of finance. In addition the founder has donated funds to the Organization in the previous years. The Organization continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals any targets set in terms of the overall Organization strategy.

The following are the remaining contractual maturities of the interest-bearing financial assets and liabilities at the reporting date. The contractual cash flows are undiscounted.

December 31, 2024	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Assets					
Cash and cash equivalents	5,398,197	-	1,000,000	-	**6,398,197**
Loans to customers	560,722	2,936,840	14,141,172	57,369,512	**75,008,245**
Other assets	123,907	-	-	-	**123,907**
	6,082,826	**2,936,840**	**15,141,172**	**57,369,512**	**81,530,349**
Liabilities					
Borrowings	3,283,300	6,073,157	16,446,145	38,265,913	**64,068,515**
Subordinated debt	-	-	-	2,300,000	**2,300,000**
Other liabilities	226,472	-	-	-	**226,472**
	3,509,772	**6,073,157**	**16,446,145**	**40,565,913**	**66,594,987**
Net position	**2,573,054**	**(3,136,317)**	**(1,304,973)**	**16,803,598**	**14,935,362**
Cumulative gap	**2,573,054**	**(563,263)**	**(1,868,263)**	**14,935,362**	-

December 31, 2023	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Assets					
Cash and cash equivalents	3,399,932	-	1,000,000	-	**4,399,932**
Loans to customers	1,466,758	2,895,007	13,573,257	43,504,763	**61,439,785**
Other assets	87,900	-	-	-	**87,900**
	4,945,590	**2,895,007**	**14,573,257**	**43,504,763**	**65,927,617**
Liabilities					
Borrowings	400,000	2,883,300	16,231,910	31,908,733	**51,423,943**
Subordinated debt	-	-	-	1,300,000	**1,300,000**
Other liabilities	184,667	-	-	-	**184,667**
	584,667	**2,883,300**	**16,231,910**	**33,208,733**	**52,908,610**
Net position	**4,369,923**	**11,707**	**(1,658,653)**	**10,296,030**	**13,113,438**
Cumulative gap	**4,369,923**	**4,381,630**	**2,722,977**	**13,019,007**	-

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4. Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and credit spreads will affect the Organization's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Exposure to interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

The Organization manages interest rate risk by monitoring market conditions and making appropriate pricing or reallocation decisions. All loans are at fixed rates and have maturities ranging between one month to five years.

The interest rate profile of the Organization's interest-bearing financial instruments is as follows:

Fixed-rate instruments	**2024**	**2023**
Loans to customers	75,662,419	61,718,519
Borrowings and subordinated debt	(66,368,516)	(35,206,943)
Total	**9,293,903**	**26,511,576**

Variable-rate instruments	**2024**	**2023**
Borrowings and subordinated debt	(13,583,700)	(17,517,000)
Total	**(13,583,700)**	**(17,517,000)**

Sensitivity analysis for instruments of variable interest

The Organization does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, and the Organization does not use derivatives (interest rate swaps) as hedging instruments. Organization has few loans with variable interest rate with low impact on financial statements.

Interest income is not not impacted as loans to customers are at fixed rates

Exposure to the currency exchange rate

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Organization manages this risk by ensuring that all its assets and liabilities are in EUR. The Organization does not have any foreign currency exposure as all assets and liabilities, expenses and revenues are in Euro.

5.5. Regulatory requirments

The Organization is in compliance with the minimum capital of EUR 200 thousand required by the Central Bank of Kosovo. The Organization's policy is to maintain stability of its fund base so as to maintain creditor and market confidence and to sustain future development of the business. There were no changes in the Organization's approach to fund balance management during the year.

6. USE OF PROFESSIONAL EVALUATION AND JUDGEMENT

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending December 31, 2024 is included in the following notes.

(i) Contributions received from third parties

Contributions received from third parties, include forgiven loans that may or may not have conditions or restrictions attached, and donors may request that the donation is used for a particular purpose. Government grant accounting is applied by analogy to contributions from third parties other than shareholders or governments. Transfers without conditions from non-shareholders are recognized in profit or loss once such transfers become receivable. Transfers with conditions are recognized by recipients as a liability until such time as the conditions are met, at which point they are recognized as other income. See Note 17 for further details.

(ii) Allowances for impairment losses on loans and advances

The Organization reviews its loan portfolios to assess impairment on a regular basis. The Organization makes judgments as to whether there is any observable data indicating that there is a significant increase in credit risk since initial recognition.

The allowance is based on the expected credit losses associated with the probability of default in the next 12 months unless there has been a significant increase in credit risk since the initial recognition, in which case, the allowance is based on the probability of default over the life of the financial asset. When determining whether the risk of default increased significantly since the initial recognition, the Organization considers reasonable and supportable information, qualitative information, and days pas due.

(iii) Determination of fair values

A number of accounting policies and disclosures of the Organization require the measurement of fair values for financial assets and liabilities. In measuring the fair value of an asset or liability, the Organization uses observable market data as much as possible. Fair values are categorized at different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices in an active market for an identical instrument.

Level 2: Data other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (e.g. as prices) or indirectly (i.e. derived from prices).

Level 3: Data on the asset or liability that are not based on observable market data (unobservable data).

If the inputs used to measure the fair value of an asset or liability fall at different levels of the fair value hierarchy, then the fair value measurement is categorized entirely at the same level of the fair value hierarchy as the inputs of the lowest level that is relevant to the entire measurement.

The organization recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

7. DETERMINATION OF FAIR VALUES

Where available, the fair value of loans is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses and interest rates. Homogeneous small loans are grouped into portfolios with similar characteristics.

Financial assets carried at amortized cost that require the disclosure of fair value.

The estimated fair value of cash and cash equivalents, which include deposits with no stated maturity, is the amount repayable on demand. For short-term deposits, their fair value is considered to approximate their carrying amount.

Loans to customers are net of allowances for impairmentthe fair value approximates the carrying amount. The customer segment is specific and the lending rates are generally similar to other institutions. The quality of the portfolio is very high and the average maturity is approximately 2 years, the discounting effects are also not very significant to create material differences between fair value and carrying amounts.

Financial liabilities carried at amortized cost.

Because no active market exists for borrowings and subordinated debt, the fair value has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

Other financial liabilities and borrowings are obtained at arms lenth. The Agency obtains financing from a multitude of institution and the ratës are similar, so there are no significant liabiliteis whose fair value would differ materialy from the carrying amount.

8. CASH AND CASH EQUIVALENTS

	As at December 31, 2024 (in EUR)	As at December 31, 2023 (in EUR)
Cash on hand	318,624	188,118
Cash at bank	5,079,573	3,211,814
Total	**5,398,197**	**3,399,932**

8a. Term deposit

	As at December 31, 2024 (in EUR)	As at December 31, 2023 (in EUR)
Term deposit	1,000,000	1,000,000

Bank has a term deposit with local bank amounting Eur 1,000,000, which has a maturity date December 2024, and interest rate 2.5%.

9. LOANS TO CUSTOMERS

	As at December 31, 2024 (in EUR)	As at December 31, 2023 (in EUR)
Gross loans to customers	74,913,810	61,095,250
Deferred fee	(1,959)	(4,807)
Accrued interest	750,569	628,076
Gross Carrying Amount	**75,662,420**	**61,718,519**
Less: Allowance for impairment	(654,175)	(278,734)
Total Amortised Cost	**75,008,245**	**61,439,785**

Movements in the allowance for impairment are as follows:

	As at December 31, 2024 (in EUR)	As at December 31, 2023 (in EUR)
Opening balance on 1st of January	278,734	918,253
Charge during the year	486,077	(610,997)
Written off loans, net of recoveries	(110,636)	(28,522)
Total	**654,175**	**278,734**

10. PROPERTY, PLANT AND EQUIPMENT

Historical cost	Vehicles (in EUR)	Furniture and supplies (in EUR)	Computers and electronic equipment (in EUR)	Leasehold improvements (in EUR)	Total (in EUR)
January 1, 2023	808,041	231,703	247,746	233,724	**1,521,214**
Additions during the year	322,830	20,120	16,017	45,948	**404,915**
Disposals during the year	(158,125)	-	-	-	**(158,125)**
December 31, 2023	**972,746**	**251,823**	**263,763**	**279,672**	**1,768,004**
Additions during the year	-	13,256	11,741	39,964	**64,961**
Disposals during the year	-	-	-	-	-
December 31, 2024	**972,746**	**265,079**	**275,504**	**319,636**	**1,832,965**
Accumulated depreciation:					
January 1, 2023	632,775	204,347	169,504	167,256	**1,173,882**
Depreciation for the year	112,048	14,191	27,820	19,761	**173,820**
Disposals during the year	(158,125)	-	-	-	**(158,125)**
December 31, 2023	**586,698**	**218,538**	**197,324**	**187,017**	**1,189,577**
Depreciation for the year	114,687	13,380	25,687	27,997	**181,751**
Disposals during the year	-	-	-	-	-
December 31, 2024	**701,385**	**231,918**	**223,011**	**215,014**	**1,371,328**
Net book value:					
December 31, 2023	**386,048**	**33,285**	**66,439**	**92,655**	**578,427**
December 31, 2024	**271,361**	**33,161**	**52,493**	**104,622**	**461,637**

As at December 31, 2024 and 2023, AFK does not have any property or equipment pledged as collateral.

11. INTANGIBLE ASSETS

Historical Cost:	Software (in EUR)
January 1, 2023	**731,878**
Additions during the year	40,100
December 31, 2023	**771,978**
Additions during the year	134,086
December 31, 2024	**906,064**
Accumulated amortization:	
January 1, 2023	457,086
Amortisation for the year	97,660
December 31, 2023	**554,746**
Amortisation for the year	91,558
December 31, 2024	**646,304**
Assets net book value :	**274,792**
As at December 31, 2023	**217,232**
As at December 31, 2024	**259,760**

12. RIGHT-OF-USE FOR ASSETS AND LEASE LIABILITIES

Right-of-use for assets

	As at December 31, 2024 (in EUR)	As at December 31, 2023 (in EUR)
January 1,	1,300,889	1,214,830
Additions	491,229	230,515
Reassesment	-	-
Modification	-	(25,111)
Disposal	(216,340)	(119,345)
Total	**1,575,778**	**1,300,889**
Accumulated amortisation		
January 1,	(691,035)	(421,379)
Amortisation for the year	(397,381)	(389,001)
Disposal	212,480	119,345
As at December 31,	**(875,936)**	**(691,035)**
Total net value	**699,842**	**609,854**

12. RIGHT-OF-USE FOR ASSETS AND LEASE LIABILITIES (CONTINUED)

Amounts recognized in profit and loss:

	Year ended December 31, 2024 (in EUR)	Year ended December 31, 2023 (in EUR)
Amortisation expense on right-of-use assets	397,381	389,001
Interest expenses on lease liabilities	34,416	39,793
Total	**431,797**	**428,794**

Lease liabilities

	As at December 31, 2024 (in EUR)	As at December 31, 2023 (in EUR)
Short term lease liabilities	296,644	367,344
Long term lease liabilities	446,780	292,078
Total	**743,424**	**659,422**

The movement of Lease liability is as follows:

	2024	2023
Oppening Balance 01 January	**659,422**	**836,554**
Additions	491,229	229,526
Modification	-	(22,307)
Disposal	(4,898)	
Interest expense	34,416	39,793
Payments	(436,745)	(424,144)
Lease liability at 31 December	**743,424**	**659,422**

13. OTHER ASSETS

	As at December 31, 2024 (in EUR)	As at December 31, 2023 (in EUR)
Prepaid expenses	108,068	74,918
Receivable court and enforcement expenses	3,304	966
Other receivables and advances	12,535	12,016
Total	**123,907**	**87,900**

14. BORROWINGS

Borrowings and subordinated debt by the lender are presented below:

	2024	Interest rate p.a.	2023	Interest rate p.a.
Borrowings and overdrafts:				
Symbiotics	9,500,000	4.0% p.a., 3.25%+6M Euribor, 6.30% p.a.	5,000,000	5.4% p.a. + 3.25% + 6M Euribor
ResponsAbility Sicav Lux	3,333,400	3.50% + 6M Euribor, 6.50% p.a.	2,333,333	6.5% p.a. + 3.50% + 6M Euribor
ImpaktEU	600,000	3.78% + 6M Euribor	600,000	3.78% + 6M Euribor
Incofin	-		666,667	4.10% p.a.
Banka per Biznes Kosove	1,000,000	6.95% p.a.		
Triple Jump	2,500,000	3.30% p.a.	4,000,000	3.30% p.a.
Bank IM Bistum Esse EG	2,500,000	3.5% p.a., 3.60% + 6M Euribor	4,500,000	3.5% p.a + 3.60% + 6M Euribor
DWM Asset Management LLC	5,667,000	7.05%p.a., 3.50%+6M Euribor	6,167,000	3.25% p.a., 4.00%p.a., 3.50%+ 6M Euribor
Frankfurt School Financial Services	2,500,000	3.6%p.a., 6.8% p.a., 3.0% +6M Euribor	3,166,666	3.6%p.a., 6.8% p.a., 3.0% +6M Euribor
EFSE	5,800,000	3.65%+6M Euribor, 6.80% p.a.	3,000,000	3.65%+6M Euribor, 6.80% p.a.
GGF (Green for Growth Fund)	-		800,000	3.95% p.a.
Banka Kombetare Tregtare BKT	3,300,000	6.0% p.a.		
Blue Orchard Microfinance Fund	6,500,000	6.3 p.a.%	4,340,000	4.0% p.a.
EBRD	2,400,000	7.58%p.a., 3.75%+6M Euribor	3,600,000	3.75%+6M Euribor
Internation Finance Cooperation	5,600,000	7.5% p.a., 7.0%p.a.	3,800,000	7.5% p.a.
Fondation Grameen Credit Agricole	1,600,000	4.10% + 5.2% p.a.	2,375,000	4.10% + 5.2% p.a.
Financing for Healtheier Lives DAC	3,000,000	3.3%+6M Euribor, 6.50% p.a.	2,706,197	3.3%+6M Euribor
Agent forr Impact – Hansainvest Finance IIV Mikrofinanzfonds	2,833,333	5.7%-5.5% p.a.	4,000,000	5.7%-5.5% p.a.
Banca Etica	843,450	5% p.a		
Credins Bank Kosova	421,233	4.5% p.a.		

Pribank Kosova	500,000	6.8% p.a.		
EMF Funding Enabling Capital AG	3,000,000	6.50% p.a.		
Borxhi i varur:				
Helenos	1,000,000	5.5% base + 6M Euribor	1,000,000	5.5% base + 6M Euribor
Impakt EU	300,000	5.5% base + 6M Euribor	300,000	5.5% base + 6M Euribor
Blue Orchard Microfinance Fund	1,000,000	8.30%		
	65,698,416		**52,354,863**	
Accrued Interest	1,035,686		687,350	
Deffered fees	(365,586)		(318,270)	
Total	**66,368,516**		**52,723,943**	

14. BORROWINGS (CONTINUED)

Interest expenses for the year ended December 31, 2024, of EUR 3,952,265 (2023, of EUR 2,737,219), represent interest expense for borrowings and subordinaed debt received from lenders.

	As at December 31, 2024	As at December 31, 2023
	(in EUR)	(in EUR)
Balance at January 1, including accrued interest	52,354,863	41,945,850
Disbursements during the year	33,300,000	28,067,000
Repayments during the year	(19,956,449)	(17,657,987)
Balance at December 31	**65,698,414**	**52,354,863**
Accrued interest (deferred fee) at January 1	369,080	151,273
Interest expenses	3,952,265	2,737,220
Interest paid	(3,651,243)	(2,519,413)
Accrued interest (deferred fee) at December 31	**670,102**	**369,080**
Total	**66,368,516**	**52,723,943**

15. OTHER LIABILITIES

	As at December 31, 2024	As at December 31, 2023
	(in EUR)	(in EUR)
Payables to suppliers	112,604	90,236
Due to personnel	90,632	82,362
Other	23,235	12,069
Total	**226,471**	**184,667**

16. PROVISIONS

	As at December 31, 2024	As at December 31, 2023
	(in EUR)	(in EUR)
Opening balance	147,713	130,913
Additional provision (note 23)	30,800	16,800
Closing balance	**178,513**	**147,713**

The Organization is involved in a legal dispute brought by a former employee that was decided to terminate the employment on 20 February 2024, lawsuit is filed with no C930/24. Also, other legal dispute by a former employee that was dismissed by the court in 2012. Based on the Decision No. C.nr.851/ 2019, of the Basic Court of Peja that ruled in favor of the employee, the Organization should pay a compensation starting from the day when the employee was dismissed and onwards and should also hire the employee with the same salary as at the dismissal date. The Organization has appealed against that decision at the Court of Appeal in Pristina, and the appeal is in process.

Also during January 2021, the legal office received confirmation that the court responded to the lawsuit against the plaintiff and charged with damages in the amount of EUR 5,500.

During 2021 AFK has also received a lawsuit (labor dispute), with No. C no.376 / 21 and the preparatory review session was held on 19.11.2021. Based on this AFK has started to accrue compensation for the worker in question in the amount of 16,800 Euros for 18 months. As at December 31, 2024, the Organization has recognized a provision of EUR 178,513 (2023: EUR 147,713) for all cases.

17. DONATED FUNDS

On February 21, 2002, Mercy Corps and Agency for Finance in Kosovo (AFK) entered into a Memorandum of Understanding based on which the Organization would provide lending services to Mercy Corps whereby the Organization would process loans in a Mercy Corps Loan Fund Account, owned by Mercy Corps to individuals in need.

Based on a loan agreement with Mercy Corps signed on June 30, 2008, the balance of the Loan Fund Account and all retained earnings accumulated under that account, were lent to the Organization. The loan agreement did not state any maturity or interest rate. On July 29, 2009, Mercy Corps and the Organization amended the 2008 loan agreement to establish subordination of the loan with maturity date as of June 17, 2017. On December 13, 2013, Mercy Corps and the Organization signed a second amendment to the June 30, 2008, loan agreement, based on which the loan was payable on demand, only after full repayment of all high debts.

During 2016, the Organization and Mercy Corps signed an agreement, based on which the loan amount of EUR 2,235,788 was donated to AFK (see Note 1). The terms and conditions of that agreement specify that the proceeds of the grant shall be used exclusively in support of the Mission statement, goals and values contained in the statute of the Organization. Such amount is recognized as donated funds, within the fund balance in 2016. Movements in the Mercy Corps loan fund account and the total amount converted into a loan in 2008 and subsequently donated to AFK in 2016. After adjustment made on January 1, 2018, a portion of the funds donated by Mercy Corps are recognized as retained earnings, i.e. as at December 31, 2018 EUR 1,537,574 are counted as donated funds, while the amount of EUR 698,214 is counted as retained earnings.

18. INTEREST INCOME

	Year ended December 31, 2024 (in EUR)	Year ended December 31, 2023 (in EUR)
Interest income from loans	12,547,962	10,417,998
Administrative fee income	5,560	22,545
Penalty income/expenses from loans	20,547	16,990
Total	**12,574,069**	**10,457,533**

19. OTHER INCOME

	Year ended December 31, 2024 (in EUR)	Year ended December 31, 2023 (in EUR)
Income from loan prepayments	119,132	127,252
Other income	38,848	53,340
Total	**157,980**	**180,592**

20. PERSONNEL EXPENSES

	Year ended December 31, 2024 (in EUR)	Year ended December 31, 2023 (in EUR)
Wages and salaries	2,514,098	2,436,960
Bonuses	1,446,403	1,203,664
Pension contributions	204,577	188,438
Health insurance	131,026	121,878
Total	**4,296,104**	**3,950,940**

21. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2024	Year ended December 31, 2023
	(in EUR)	(in EUR)
Marketing expenses	228,131	187,053
Maintenance and repairs	162,824	150,264
Board expenses	149,671	145,333
Transportation and business trip expenses	141,785	144,850
Consulatncy, legal fees and other services	140,679	121,744
Small inventory	107,935	63,864
Phone and electricity expenses	90,407	83,834
Office supplies	85,430	82,092
Staff Trainings and other related costs	77,377	48,498
Utilities	67,175	64,178
Donation and sponsorships	48,319	60,122
Security expenses	44,857	43,329
Provision charges	30,800	16,800
Representation and staff retreat	39,739	49,350
Other expenses	32,296	20,347
Withholding tax for non-residents	27,794	29,041
Total	**1,475,219**	**1,310,699**

22. RELATED PARTY TRANSACTIONS

Related parties include the main donor and founder of the Organization, Mercy Corps and key management. There were no balances and transactions with Mercy Corps during 2024 and 2023.

Total remuneration to the Organization's key management personnel is as follows:

Related party	**2024**	**2023**
Managment compensations	419,866	324,500
Compensation to the Board	132,019	127,116
Other board expenses	17,653	18,218
Total	**569,538**	**469,834**

23. COMITTMENTS AND CONTIGENCIES

(i) Litigations

The organization is is defendant in legal events affecting the normal course of business. Based on legal advice, management believes that there will be no material loss in respect of outstanding legal claims as at December 31, 2024, with the exception of provisions of EUR 178,513 (see Note 16) recognized until December 31, 2024 (2023: 147,713 Euros).

	2024	2023
	178,513	147,713
	178,513	**147,713**

(ii) Tax liabilities

Financial statements and the accounting records of the Organization have not been audited by the tax authorities since the year ended December 31, 2005. Hence, the Organization tax liabilities may not be considered finalized. A provision for additional taxes and penalties, other than income tax for which the Organisiaiton is exempt, if any that may be levied cannot be determined with any reasonable accuracy at this stage.

24. SUBSEQUENT EVENTS

There are no significant events after the reporting date that may require adjustment or additional disclosures in the financial statements.