

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

**Independent Auditor's Report and
Financial statements
as at and for the year ended December 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Management of Albanian Development Guarantee Foundation

Opinion

We have audited the financial statements of Albanian Development Guarantee Foundation ("the Foundation"), which comprise the statement of financial position as at December 31, 2022, and the statement of income and retained funds, statement of changes in fund balance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the Foundation as at December 31, 2022, 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 Foundation in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") and with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the Other Information. Other Information comprises the information provided in the Performance Activity Report, prepared by the Management in accordance with Article 22 of the Law. No. 25/2018 date January 19, 2019 "On accounting and financial statements", amended, but does not include the financial statements and our auditors' report thereon. The Performance Activity Report is expected to be made available after the date of this auditors' report. Our opinion on the financial statements does not cover the other information and we do not convey any conclusion that provides assurance about this information.

In relation to the audit of the financial statements, statements we have the responsibility to read other information, identified as above when they are available to us and assess whether this information has material inaccuracy with financial statements or the acknowledgement we have received during audit or otherwise, if they appear to be material misstatement. After reading of the Performance Activity Report, if we conclude that there is material misstatement, we are required to communicate the issue with those charged with governance.

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

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 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 Foundation'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 Foundation'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 Foundation to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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.

Deloitte Audit Albania Shpk
Deloitte Audit Albania Shpk

Rruga e Kavajës, Ish parku i mallrave, Kompleksi Delijorgji, Godina H, Kati 2
Tirana, Albania

Identification number (NUIS): L41709002H

Enida Cara
Statutory Auditor
Engagement Partner

May 31, 2023
Tirana, Albania



ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Statement of financial position as at December 31, 2022

(Amounts in ALL)

	Note	As at December 31, 2022	As at December 31, 2021
ASSETS			
Non - current assets			
Property and equipment	7	2,206,584	2,667,866
Intangible assets	8	268,484	357,979
Right of Use Assets	9	14,704,500	18,380,625
Investments held to collect contractual cash flows	10	5,576,823,942	5,071,671,289
Total non-current assets		5,594,003,510	5,093,077,759
Current assets			
Held to maturity Treasury bills	10	94,305,993	-
Investments held to collect contractual cash flows	10	222,527,192	166,718,337
Accounts receivable	12	10,155,917	15,715,494
Term Deposits	11	-	124,386,985
Cash on hand and at banks	13	177,116,258	595,569,877
Total current assets		504,105,360	902,390,693
TOTAL ASSETS		6,098,108,870	5,995,468,452
LIABILITIES AND EQUITY			
EQUITY			
Fund balance		5,599,957,332	4,946,233,332
Retained funds		177,712,795	104,063,233
Net income of the year		75,325,291	73,649,562
Total equity		5,852,995,418	5,123,946,126
Non – current liabilities			
Deferred revenue	14	83,976,599	734,676,604
Lease liability	15	10,629,444	14,774,479
Total non-current liabilities		94,606,043	749,451,083
Current liabilities			
Deferred revenue	14	10,875,440	7,881,731
Lease liability	15	3,346,118	3,438,133
Provision fund for financial guarantees	22	134,113,054	108,992,462
Other liabilities	16	2,172,797	1,758,917
Total current liabilities		150,507,409	122,071,242
TOTAL LIABILITIES AND EQUITY		6,098,108,870	5,995,468,452

These financial statements of the Foundation as at and for the year ended December 31, 2022 were approved by the Management of Albanian Development Guarantee Foundation on May 26, 2023, and signed on its behalf by:

Mr. Bajram Korsita
Executive Director

Ms. Besiana Lika
Chief Financial Officer & Risk Manager

The statement of financial position has to be read in conjunction with the notes set out in pages 8 to 31, which are forming part of these financial statements.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Statement of income and retained funds for the year ended December 31, 2022

(Amounts in ALL)

	Note	For the year ended December 31, 2022	For the year ended December 31, 2021
Income from general activity	17	43,913,561	34,218,679
Income from donation	18	108,554	143,216
Other financial income	19	251,103,415	190,340,623
Total of operating income		295,125,530	224,702,518
Staff Costs	20	(19,366,434)	(15,326,356)
Depreciation and amortization	7, 8, 9	(4,372,302)	(4,446,238)
Other operating expenses	21	(13,894,594)	(23,215,728)
Impairment charge on financial guarantees	22	(25,120,592)	(29,973,911)
Impairment reversal/(expense) on financial instruments	10	301,117	(14,099,597)
Total expenses		(62,452,805)	(87,061,830)
Operating income		232,672,725	137,640,688
Financial expense		(469,058)	(566,213)
Net losses from foreign exchange translations	23	(156,878,376)	(63,424,912)
Net financial expense		(157,347,434)	(63,991,125)
Net income		75,325,291	73,649,562
Other comprehensive income / (expense)		-	-
Total Comprehensive income for the year		75,325,291	73,649,562

The statement of income and retained funds has to be read in conjunction with the notes set out in pages 8 to 31, which are forming part of these financial statements.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Statement of fund balance as at December 31, 2022

(Amounts in ALL)

	Fund balance	Retained fund / (losses)	Total
Balance at January 1, 2021	4,113,448,116	104,063,233	4,217,511,349
Contribution from founder	832,785,216	-	832,785,216
Net income for the year	-	73,649,562	73,649,562
Comprehensive income for the year	-	-	-
Total Comprehensive income for the year	-	73,649,562	73,649,562
Balance at December 31, 2021	4,946,233,332	177,712,795	5,123,946,127
Contribution from founder	653,724,000	-	653,724,000
Net income for the year	-	75,325,291	75,325,291
Comprehensive income for the year	-	-	-
Total Comprehensive income for the year	-	75,325,291	75,325,291
Balance at December 31, 2022	5,599,957,332	253,038,086	5,852,995,418

The statement of changes in fund balance has to be read in conjunction with the notes set out in pages 8 to 31, which are forming part of these financial statements.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Statement of cash flow for the year ended December 31, 2022

(Amounts in ALL)

	Note	For the year ended December 31, 2022	For the year ended December 31, 2021
Cash flows from operating activities			
Net income for the year		75,325,291	73,649,562
<i>Adjustments for:</i>			
Depreciation and amortization	8,9	4,372,302	4,446,238
Exchange rate differences		1,827,485	44,073,508
Provision expense	10,22	24,819,474	3,247,235
Interest Expense		469,058	566,213
Interest income		(233,194,193)	(192,872,083)
Operating loss before changes in working capital		(126,380,582)	(66,889,327)
Changes in working capital:			
(Decrease)/increase in accounts receivable		5,559,577	(7,248,526)
Increase in deferred revenue		4,397,705	8,003,714
Increase in prepayments		-	432,950
Increase in other liabilities		413,880	673,916
Interest received from premium		5,268,450	7,211,016
Interest received		227,619,044	170,733,831
Net cash flows from operating activities		116,878,074	112,917,574
Cash flows from investing activities			
Purchase of fixed assets		(145,400)	(941,389)
Investment in treasury bills		(100,000,000)	-
Investment in treasury bonds		(723,215,000)	(1,326,970,000)
Investment in term deposit		-	(483,183,824)
Proceeds from maturity of term deposits		544,033,818	518,680,006
Proceeds from maturity of Treasury bills		167,300,000	200,000,000
Cash used in investing activities		(112,026,582)	(1,092,415,207)
Cash flow from financing activities			
Grants received		-	652,104,000
Repayment of lease		(4,706,109)	(4,871,471)
Contribution from founder		653,724,000	832,785,216
Grand Capitalization		(652,104,000)	(836,368,687)
Cash generated from financing activities		(3,086,109)	643,649,058
Net increase/(decrease) in cash and cash equivalents		1,765,383	(335,848,575)
Cash and cash equivalents at the beginning of the period		177,178,359	516,274,170
Exchange rate effect on cash and cash equivalent		(1,827,485)	(3,247,236)
Cash and cash equivalents at the end of the year	13.1	177,116,257	177,178,359

The statement of cash flows has to be read in conjunction with the notes set out in pages 8 to 31, which are forming part of these financial statements.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

(Amounts in ALL, unless otherwise stated)

1. INTRODUCTION

Albanian Development Guarantee Foundation (the “Foundation” or “ADGF”), formerly known as Rural Credit Guarantee Foundation (“RCGF”), is a non-governmental non-profit organization, established by GFA Consulting Group GMBH, a German based Foundation, as the implementer of the grant fund. The Foundation was registered with the registration number L52004452B, at the Judicial District Court of Tirana on July 8, 2015 and the name change (from “RCGF” to “ADGF”) was approved by the court on 06 December 2021. The name change came in the context of expanding the scope of coverage for the guaranteed activities in order to be in line with the mission and vision of the foundation.

Albanian Development Guarantee Foundation was established pursuant to the provisions of Law No. 7850 dated June 29, 1994 “On the Civil Code of the Republic of Albania” and Law No. 8788 dated Jun 5, 2001 “On non-for-profit Organizations”.

The objective of the Foundation is to encourage banks and non-bank financial institutions to provide financial services to micro, small and medium enterprises (‘MSME’) in various sectors of economy on a sustained basis to enable them to grow and become more competitive and to create new jobs. The Foundation collaborates with banks and non-bank financial institutions (‘NBFI’s) to offer partial guarantees for loans extended to micro, small and medium businesses and to enhance their finance credit technology, developing special products and procedures.

The highest level of governance is the Board of Directors as follows:

John P. Khoury – Chairman

Bahrije Dibra – Member; and

Mirgen Dobruna – Member (after the resignation of Lauresha Grezda, approved by the court on 16 January 2023).

The Authorized Representative of the Foundation is the Executive Director, Mr. Bajram Korsita.

On December 31, 2022, the Foundation had 7 employees (December 31, 2021: 5 employees).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) that were issued by the International Accounting Standards Board.

These financial statements are presented in Albanian ALL (“Lek”), which is the Foundation’s functional and presentation currency.

2.2 Comparative balances

Some comparative figures in the statement of financial position and other respective notes in the financial statements are reclassified or restated as a result of changes in classification or to present a better result.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

(Amounts in ALL, unless otherwise stated)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Application of new and revised international financial reporting standards (IFRS)

(a) Standards and Interpretations effective in the current period

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

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets—Onerous Contracts—Cost of Fulfilling a Contract- Effective date is beginning on or after 1 January 2022, with early application permitted
- Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework-Effective beginning on or after 1 January 2022- with early application permitted
- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use-Effective date is beginning on or after 1 January 2022, with early application permitted
- Annual Improvements to IFRS Standards 2018-2020—Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture- Effective date is beginning on or after 1 January 2022, with early application permitted
- Amendments to IFRS 9 “Financial Instruments”The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The adoption of these changes in existing standards has not led to any material change in the Foundation's financial statements.

(b) Standards and Interpretations in issue, not yet adopted

At the date of authorisation of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- **IFRS 17 Insurance Contracts** - Effective for annual reporting periods beginning on or after 1 January 2023
- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures**—Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures-Effective date not been set yet
- Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current- Effective date is beginning on or after 1 January 2023
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies- The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

(Amounts in ALL, unless otherwise stated)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Application of new and revised international financial reporting standards (IFRS) (continued)

(b) Standards and Interpretations in issue, not yet adopted (continued)

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.
- Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction- effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The Foundation has elected not to adopt these new standards, amendments to existing standards and new interpretation in advance of their effective dates.

3. USE OF ESTIMATES AND JUDGMENTS

The preparation of the financial statements in accordance with IFRS requires for the management body to make judgements, estimates, and assumptions that affect the application of 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 the accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in Notes 6.

Sensitive analysis

Management has considered a standard scenario that include increase or decrease of 10% in the probability of default (PD) and expected credit loss (ECL). The sensitivity analyse of Foundation' possible losses as a result of increase or decrease of credit loss indicators is presented in the table below:

	PD and ECL	
	+10%	-10%
Impairment As at December 31, 2022 for financial assets	5,071,645	(5,071,645)
Impairment As at December 31, 2022 for financial liabilities	2,629,414	(2,931,970)
	PD and ECL	
	+10%	-10%
Impairment As at December 31, 2021 for financial assets	5,101,756	(5,101,756)
Impairment As at December 31, 2021 for financial liabilities	1,879,315	(8,659,559)

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

(Amounts in ALL, unless otherwise stated)

4. GOING CONCERN

Financial Statements of the Foundation have been prepared based on the going concern principle, which is the assumption that the Foundation will remain in business for the foreseeable future based on its objectives for issuance of financial guarantees.

On March 11, 2020, the World Health Organization announced a pandemic situation due to the global emergency caused by the outbreak of COVID 19. The Covid-19 measures were gradually eased during 2021 and 2022. However, with initiation of the war in Ukraine and all uncertainties it brought afterwards stopped the economic momentum of the country even though the Foundation has not direct impact in Ukraine. The Albanian economy has low direct links with Ukraine and Russia, as trade with these countries contributes to less than 2% of the total. However, it clearly felt the effects through an elevated energy and food prices. The inflation rate hit 6.7% in average in 2022 from 1.3%-2% in the last 10 years, weakening the purchasing power of the consumers and leaving the mark on economic activity. Nevertheless, the economy maintained a positive momentum on the back of robust tourism, real estate, and services. Therefore, we expect the real GDP to expand moderately by 3.9% in 2022, yet less than half of 2021 GDP growth.

However, at the date of preparation of these financial statements, the Foundation based on the above and also in accordance with the approved financial plan in the coming years, expects to increase its operational activity and has projected to achieve a positive result in the next year and to continues in a going concern basis.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss. The exchange rates used for conversion of the statement of financial position items denominated in foreign currencies are as follows:

	December 31, 2022	December 31, 2021
EUR/ALL	114.23	120.76

5.2 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The gain or loss arising on the disposal or retirement of an item of tangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in the income statement as incurred.

Depreciation commences when the assets are available for use. Depreciation is charged to the profit or loss on a reducing basis using the rates below:

Category of assets	2022	2021
Furniture office and Fittings	20%	20%
Computers equipment	25%	25%
Software	25%	25%

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

(Amounts in ALL, unless otherwise stated)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2 Intangible assets (continued)

Intangible assets, which entirely consist of software, are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged using the reducing balance method. The amortization rate used for the intangible assets is 25%. The estimated useful life and amortization method are reviewed at the end of each annual reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

5.3 IFRS 16 Leases

The Foundation assesses whether a contract is or contains a lease, at inception of the contract. The Foundation recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Foundation recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Foundation uses its incremental borrowing rate. Generally, the Foundation uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the separate statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Foundation remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

(Amounts in ALL, unless otherwise stated)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 IFRS 16 Leases (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the separate statement of financial position.

The Foundation applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, Plant and Equipment" policy.

5.4 Financial assets and financial liabilities

(i) Recognition

The Foundation initially recognizes financial receivables, deposits and investment accounts on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the trade date at which the Foundation commits to purchase or sell the asset. All other financial assets and liabilities are initially recognized on the trade date at which the Foundation becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

See accounting policies 3.5; 3.6; 3.8 and 3.9.

(iii) Derecognition

The Foundation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Foundation neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Foundation is recognized as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Foundation may enter into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example repurchase transactions.

In transactions in which the Foundation neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Foundation continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

(Amounts in ALL, unless otherwise stated)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.4 Financial assets and financial liabilities (continued)

(iv) Offsetting

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Foundation has a legal right to set off the recognized amounts and it 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 under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Foundation's trading activity.

(v) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vi) 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 Foundation has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Foundation measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Foundation uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received.

If the Foundation determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Foundation measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

(vii) Identification and measurement of impairment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

(Amounts in ALL, unless otherwise stated)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand and balance with Foundations.

5.6 Investments held to collect contractual cash flows

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, adding incremental direct transaction costs. Foundation's financial assets are classified as held to collect because considering their business model they are held in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

5.7 Fund Balance

Fund Balance consists of the fair value of monetary considerations contributed by the founder.

5.8 Deferred revenues

Deferred revenues represent grants received from GFA, Ministry of Agriculture, KFW and FEFAD. They are initially recorded as deferred revenues.

The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

5.9 Accounts and other payables

Accounts and other payables are initially recognized at fair value and subsequently at their amortized cost, using the effective interest method.

5.10 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the term of a debt instrument. Such financial guarantees are given to banks and NFBI's on behalf of micro, small and medium businesses.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- the amount of the loss allowance (calculated in accordance with IFRS 9 requirements on expected credit loss model); and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15

5.11 Provision for guarantees

The Foundation provides guarantees for customers through banking institutions on risk sharing basis and with maximum ceiling EUR 500,000 or equivalent in ALL 57,115,000 and guarantees the commercial borrowings of micro financing institutions from local banks under separate guarantees. A provision on financial guarantee contracts is recognized when a specified debtor fails to make payments when due, in accordance with the term of a debt instrument.

The Foundation assesses on a forward-looking basis the expected credit loss associated with the exposure arising from financial guarantee contracts. The Foundation recognizes a loss allowance for such losses at each reporting date.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

(Amounts in ALL, unless otherwise stated)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.12 Grants income

A grant is recognized in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Foundation will comply with the conditions attached to it. Grants that compensate the Foundation for expenses incurred are recognized as revenue in the profit and loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Foundation for the cost of an asset are recognized in the profit and loss as revenue on a systematic basis over the useful life of the asset.

Management estimates that grants received are related to operational cost of the Foundation and did not cover provision and foreign exchange effect.

5.13 Income from loan upfront fee

Upfront fee of loans is recognized as revenues on a time proportion basis over the commitment period. The exemption may be only in a case of a specific lending arrangement will be entered into.

5.14 Interest income from loan guarantees

The income from loan guarantees interest is recognized on time proportion basis that takes into account the effective interest rate method.

5.15 Operating expenses

Operating expenses are recognized in the profit or loss upon utilization of the service.

5.16 Employee Benefits

Obligations for contributions to defined contribution pension plans are recognized as an expense in the Statement of profit or loss and other comprehensive income when they are due. The Foundation makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan.

On January 12, 2018, the Foundation signed an agreement with Sigal Uniq Group Austria related with the membership in the voluntary pension fund, where the Foundation contributes together with its employees for voluntary social contributions. On November 1, 2019, the Foundation signed a contract with Sigal Uniq Group Austria for Private Health Insurance for the employees, where the Foundation pays an annual insurance premium. The Private Health Insurance policy reimburses the medical expenses under a special list of benefits and an annual maximum limit with the coverage zone: private hospitals in Albania and Europe.

5.17 Income tax expense

Albanian Development Guarantee Foundation was found as a non-profit organization and therefore, under the prevailing provisions of Albania on non-profit organization, it is exempt from tax on profit. The Foundation is also exempt from withholding tax on income and banks do not withhold this tax from the Foundation.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***6. FINANCIAL RISK MANAGEMENT****6.1 Credit risk**

Credit risk is the risk of financial loss to the Foundation if a customer or counterparty to financial instruments fails to meet its contractual obligations and arises principally from the Foundation's deposits with banks and cash and cash equivalents.

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable Foundations.

The Foundation's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position, as stated in the following table (amounts in ALL):

<i>Classes of financial assets- carrying amounts:</i>	As at December 31, 2022	As at December 31, 2021
Cash on hand and at banks	177,116,258	177,178,359
Term deposits – BKT	-	358,391,518
Term deposits – OTP	-	35,000,000
Term deposit - Union Bank	-	124,386,985
Term deposit – Credins Bank	-	25,000,000
Investments held to collect contractual cash flows	5,799,351,134	5,238,389,626
Total	5,976,467,392	5,958,346,488

The table below presents credit risk exposure by counterparty (country) and related delinquency or impairment, if any:

Investment held to collect contractual cash flows	Government of Albania	Total
<i>As of December 31, 2022</i>		
Neither past due nor impaired	-	-
Not past due but impaired as per requirements of IFRS 9	5,849,267,937	5,849,267,937
Impairment	(49,916,803)	(49,916,803)
Total	5,799,351,134	5,799,351,134

<i>As of December 31, 2021</i>		
Neither past due nor impaired	-	-
Not past due but impaired as per requirements of IFRS 9	5,284,468,293	5,284,468,293
Impairment	(46,078,667)	(46,078,667)
Total	5,238,389,626	5,238,389,626

Cash and Cash equivalents	Second Tier Banks	Total
<i>As of December 31, 2022</i>		
Neither past due nor impaired	177,116,258	177,116,258
Not past due but impaired as per requirements of IFRS 9	-	-
Impairment	-	-
Total	177,116,258	177,116,258

<i>As of December 31, 2021</i>		
Neither past due nor impaired	177,178,359	177,178,359
Not past due but impaired as per requirements of IFRS 9	422,216,889	422,216,889
Impairment	(3,825,371)	(3,825,371)
Total	595,569,877	595,569,877

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)**

Term Deposits	Second Tier Banks	Total
<i>As of December 31, 2022</i>		
Neither past due nor impaired	-	-
Not past due but impaired as per requirements of IFRS 9	-	-
Impairment	-	-
Total	-	-
<i>As of December 31, 2021</i>		
Neither past due nor impaired	-	-
Not past due but impaired as per requirements of IFRS 9	125,500,511	125,500,511
Impairment	(1,113,526)	(1,113,526)
Total	124,386,985	124,386,985

The Foundation uses credit ratings published from international ratings agencies for assessment of probabilities of default of financial assets and liabilities as detailed below:

Rating according to Moody's for 2022	Institution	Probability of default
B+	Government of Albania	1.89%
B+	Bank of Albania	1.89%

Rating according to Moody's 2021	Institution	Probability of default
B+	Government of Albania	1.93%
B+	Bank of Albania	1.93%

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.2 Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and availability of funds necessary to meet the Foundation's obligations when they come due.

The following tables present the contractual cash flows of financial liabilities and financial assets of the Foundation based on the maturity as at December 31, 2022 and December 31, 2021.

December 31, 2022	Carrying Amounts	Up to 3 months	3-12 months	1-10 years
Financial assets				
Cash and cash equivalents	177,116,258	177,116,258	-	-
Deposits	-	-	-	-
Accounts receivable	10,155,917	10,155,917	-	-
Investments held to collect contractual cash flows	5,799,351,134	59,839,732	106,878,606	5,632,632,796
	5,986,623,309	247,111,907	106,878,606	5,632,632,796
Financial liabilities				
Other liabilities	797,546	797,546	-	-
Lease Liability	13,975,561	-	3,346,118	10,629,443
Contingent liabilities	2,924,759,554	-	2,924,759,554	-
	2,939,532,661	797,546	2,928,105,672	10,629,443
Liquidity gap	3,047,090,648	246,314,361	(2,821,227,066)	5,622,003,353

Liquidity requirements to support calls under financial guarantees are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Foundation does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to utilize financial guarantees as included in the above maturity table from 3 to 12 months does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

December 31, 2021	Carrying Amounts	Up to 3 months	3-12 months	1-10 years
Financial assets				
Cash and cash equivalents	595,569,877	595,569,877	-	-
Short Term Deposit	124,386,985	124,386,985	-	-
Accounts receivable	15,715,493	15,715,493	-	-
Investments held to collect contractual cash flows	5,238,389,626	59,839,732	106,878,606	5,071,671,288
	5,974,061,982	795,512,088	106,878,606	5,071,671,288
Financial liabilities				
Other liabilities	1,758,917	1,758,917	-	-
Lease Liability	18,212,613	-	3,438,134	14,774,479
Contingent liabilities	2,781,397,372	-	2,781,397,372	-
	2,801,368,902	1,758,917	2,784,835,506	14,774,479
Liquidity gap	3,172,693,079	793,753,170	(2,677,956,900)	5,056,896,809

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***7. PROPERTY AND EQUIPMENT**

Property and equipment as at December 31, 2022 and December 31, 2021 is composed as follows:

	Furniture office and Fittings	Computers equipment	Leasehold improvements	Total
<i>Cost</i>				
As at December 31, 2020	1,357,601	1,799,938	706,911	3,864,450
Additions	35,000	126,000	780,389	941,389
As at December 31, 2021	1,392,601	1,925,938	1,487,300	4,805,839
Additions	23,000	122,400	-	145,400
As at December 31, 2022	1,415,601	2,048,338	1,487,300	4,951,239
<i>Accumulated Depreciation</i>				
As at December 31, 2020	(628,624)	(800,609)	(147,598)	(1,576,831)
Depreciation for the year	(147,060)	(249,918)	(164,164)	(561,142)
As at December 31, 2021	(775,684)	(1,050,527)	(311,762)	(2,137,973)
Charge of the year	(127,151)	(244,423)	(235,108)	(606,682)
As at December 31, 2022	(902,835)	(1,294,950)	(546,870)	(2,744,655)
<i>Net book value</i>				
As at December 31, 2021	616,917	875,411	1,175,538	2,667,866
As at December 31, 2022	512,766	753,388	940,430	2,206,584

No property, plant or equipment is pledged as collateral to third party financing as at December 31, 2022 and 2021.

8. INTANGIBLE ASSETS

Intangible assets as at December 31, 2022 and December 31, 2021 is composed as follows:

	Software	Total
<i>Cost</i>		
As at December 31, 2020	1,616,200	1,616,200
Additions	-	-
As at December 31, 2021	1,616,200	1,616,200
Additions	-	-
As at December 31, 2022	1,616,200	1,616,200
<i>Accumulated Depreciation</i>		
As at December 31, 2020	(1,138,894)	(1,138,894)
Charge of the year	(119,327)	(119,327)
As at December 31, 2021	(1,258,221)	(1,258,221)
Charge of the year	(89,495)	(89,495)
As at December 31, 2022	(1,347,716)	(1,347,716)
<i>Net book value</i>		
As at December 31, 2021	357,979	357,979
As at December 31, 2022	268,484	268,484

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***9. RIGHT OF USE ASSETS**

The Right of Use Assets as at December 31, 2022 and December 31, 2021 is composed as follows:

	Right of Use	Total
<i>Cost</i>		
As at January 1, 2021	19,081,510	19,081,510
Additions	7,048,935	7,048,935
As at December 31, 2021	26,130,446	26,130,446
Additions	-	-
As at December 31, 2022	26,130,446	26,130,446
<i>Accumulated Depreciation</i>		
As at January 1, 2021	(3,984,052)	(3,984,052)
Charge of the year	(3,765,769)	(3,765,769)
As at December 31, 2021	(7,749,820)	(7,749,820)
Charge of the year	(3,676,125)	(3,676,125)
As at December 31, 2022	11,425,945	11,425,945
<i>Net book value</i>		
As at December 31, 2021	18,380,625	18,380,625
As at December 31, 2022	14,704,500	14,704,500

10. INVESTMENTS HELD TO COLLECT CONTRACTUAL CASH FLOWS**10.1 Treasury Bills**

As at December 31, 2022 and December 31, 2021 the investments on treasury bills are as follows:

	As at December 31, 2022	As at December 31, 2021
Treasury Bills	100,000,000	-
Discount of Treasury Bills	(5,333,977)	-
Accrued interest	439,614	-
Allowance for impairment	(799,644)	-
Total	94,305,993	-

During 2022 the Foundation purchased a new investment in T-Bills issued by the Government of Albania with discount and a nominal value of Lek 100,000,000, fix-rated coupon 5.65% to be matured on November 30th, 2023.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***10. INVESTMENTS HELD TO COLLECT CONTRACTUAL CASH FLOWS (CONTINUED)****10.2 Treasury Bonds**

Investments on treasury bonds as at December 31, 2022 and December 31, 2021 are comprised as follows:

	As at December 31, 2022	As at December 31, 2021
Treasury Bonds	2,968,600,000	2,252,700,000
Treasury Bonds – Eurobonds	2,798,635,000	2,958,620,000
Discount – Bonds	(5,637,786)	(5,706,476)
Premium – Bonds	1,665,097	1,922,109
Discount Eurobonds	(2,555,739)	(3,005,369)
Premium – Eurobonds	6,571,133	9,219,124
Accrued interest – Bonds	54,759,677	41,931,704
Accrued interest – Eurobonds	27,230,555	28,787,200
Total	5,849,267,937	5,284,468,292
Allowance for impairment	(49,916,803)	(46,078,667)
Total carrying amount	5,799,351,134	5,238,389,626

During 2022 the Foundation purchased new investments in T-Bonds in Lek. The new Treasury Bonds have fix-rated coupon 5.1% to be matured in 10 years; fix-rated coupon 4.23% to be matured in 7 years; fix-rated coupon 3.32% to be matured in 5 years; fix-rated coupon 2.8% to be matured in 3 years and fix-rated coupon 2.56% to be matured in 2 years.

	Treasury Bonds	Treasury Bonds (Eurobonds)
Opening balance January 1	2,252,700,000	2,958,620,000
Matured during the period	(167,300,000)	
Investments during the period	883,200,000	
Changes in value due to ER	-	(159,985,000)
Closing balance December 31	2,968,600,000	2,798,635,000

The new purchased Treasury Bonds to be matured in 3 years are purchased at a discount related to the yield 2.82%, which is higher than the coupon rate 2.8% and the Treasury Bonds to be matured in 5 years are purchased at a discount related to the yield 3.55%, for which the fix-rated coupon is 3.32%.

	December 31, 2022	December 31, 2021
Treasury Securities in ALL	3,019,386,988	2,290,847,338
Treasury Securities in EUR	2,829,880,949	2,993,620,955
Allowance for impairment	(49,916,803)	(46,078,667)
Total	5,799,351,134	5,238,389,626

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***10. INVESTMENTS HELD TO COLLECT CONTRACTUAL CASH FLOWS (CONTINUED)****10.2 Treasury Bonds (continued)**

2022				
Stages according to Expected Loss on Financial Assets				
	Stage 1	Stage 2	Stage 3	Total
Investments	5,849,267,937	-	-	5,849,267,937
Gross amount	5,849,267,937	-	-	5,849,267,937
Impairment	(49,916,803)	-	-	(49,916,803)
Net amount	5,799,351,134	-	-	5,799,351,134
2021				
Stages according to Expected Loss on Financial Assets				
	Stage 1	Stage 2	Stage 3	Total
Investments	5,284,468,292	-	-	5,284,468,292
Gross amount	5,284,468,292	-	-	5,284,468,292
Impairment	(46,078,667)	-	-	(46,078,667)
Net amount	5,238,389,626	-	-	5,238,389,626

11. TERM DEPOSITS

Term deposits as at December 31, 2022 and December 31, 2021 are comprised as follows:

	As at December 31, 2022	As at December 31, 2021
Term deposit	-	121,840,000
Accrued Interest-deposit	-	3,660,511
Impairment of deposits	-	(1,113,526)
Total	-	124,386,985

As at December 31, 2022, the Foundation has no term deposits at any bank.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***12. ACCOUNTS RECEIVABLE**

Account receivable as at December 31, 2022 and December 31, 2021 is comprised as follows:

	As at December 31, 2022	As at December 31, 2021
Current		
Receivable from MFIs	1,181,089	3,643,257
Receivable from Banks	8,178,278	11,610,970
Prepayments	796,550	461,267
Total	10,155,917	15,715,494

Accounts receivable as of December 31, 2022 represent the amounts not paid by Banks and MFIs related to interest and upfront fee for the fourth quarter.

13. CASH AND CASH EQUIVALENT**13.1 Cash on hand and at banks**

Cash on hand and at banks as at December 31, 2022 and December 31, 2021 is comprised as follows:

	As at December 31, 2022	As at December 31, 2021
Cash at bank in ALL	145,135,757	43,798,584
Cash at bank in EUR	31,968,391	133,379,611
Cash on hand	12,110	164
Total Cash on Hand and at Banks	177,116,258	177,178,359

As at December 31, 2022 cash at bank includes current accounts held at BKT, Credins Bank, Union Bank, Fibank, OTP Bank and Raiffeisen Bank.

13.2 Short term deposits

Short term deposits as at December 31, 2022 and December 31, 2021 are comprised as follows:

	As at December 31, 2022	As at December 31, 2021
Short-term deposit	-	422,193,818
Accrued Interest	-	23,071
Total	-	422,216,889
Impairment	-	(3,825,371)
Total carrying amount	-	418,391,518

During 2022 the Foundation does not have any investment in deposits.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***14. DEFERRED REVENUE**

Deferred revenue includes two streams as follows:

From grants - A grant is recognized in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Foundation will comply with the conditions attached to it. As at December 9, 2021, the Foundation received a grant from KfW for an amount equivalent to ALL 653,724,000.

From upfront fees – Upfront fee is a one-time fee calculated on the guaranteed loan amount and is received when loan is disbursed.

As at December 31, 2022 and December 31, 2021 deferred revenues are detailed as follows:

	As at December 31, 2022	As at December 31, 2021
Current portion		
Upfront fee	10,732,224	7,738,515
Grants from GFA	139,245	139,245
Grants from GFA Albania Branch	3,971	3,971
	<u>10,875,440</u>	<u>7,881,731</u>
Non-current portion		
Upfront fee	16,660,500	19,499,092
Grants from GFA	194,120	299,695
Grants from GFA Albania Branch	5,560	8,538
Long term grants from Ministry of Agriculture	62,765,278	62,765,278
Grants from KfW	-	652,104,000
Grants from FEFAD	4,351,141	-
	<u>83,976,599</u>	<u>734,676,604</u>
Total	<u>94,852,039</u>	<u>742,558,334</u>

15. LEASE LIABILITY

The terms and conditions of outstanding lease liabilities as of December 31, 2022 are as follows:

	Currency	Incremental borrowing rate	Year of maturity	Minimum monthly lease payments	
				In OCY	In LCY ('000)
Lease liabilities	EUR	3.00%	2019-2026	2,700	308,421

	December 31, 2022	December 31, 2021
Lease liabilities		
Analyzed as:		
Current	3,346,117	3,438,133
Non-current	10,629,443	14,774,479
	<u>13,975,561</u>	<u>18,212,613</u>

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***15. LEASE LIABILITY (CONTINUED)**

Below are presented undiscounted cash outflows for the repayments of lease liabilities as per year of maturity:

Maturity analysis	31 December 2022	31 December 2021
- Less than one year	3,346,117	3,438,133
- Between one and two years	3,442,748	3,537,400
- Between two and three years	3,542,184	3,639,553
- Between three and four years	3,644,512	3,744,674
- More than four years	-	3,852,852
	13,975,561	18,212,613
Less future interest expense	-	-
Finance lease liability	13,975,561	18,212,613

16. OTHER LIABILITIES

Other liabilities as at December 31, 2022 and December 31, 2021 are comprised as follows:

	As at December 31, 2022	As at December 31, 2021
Accrued expense	1,375,251	1,415,375
Personal income tax	546,561	169,286
Social and health insurance	249,574	159,884
Withholding tax	1,411	14,372
Total	2,172,797	1,758,917

17. INCOME FROM GENERAL ACTIVITY

Income from general activity represent income from upfront fees and interest, which are earned by the main activity of the Foundation – offering guarantees to Partner Financial Institutions. The balance is composed of:

	For the period ended December 31, 2022	For the period ended December 31, 2021
Interest income from Banks	24,075,610	17,250,138
Interest income from MFIs	7,521,890	7,207,063
Income from upfront fee – MFIs	4,939,193	4,092,080
Income from upfront fee – Banks	6,768,211	5,669,398
Income from recoveries - Banks	608,657	-
Total	43,913,561	34,218,679

The Foundation earns 0.75% yearly interest from Micro Financing Institutions on the average daily outstanding balance. Interest income from Banks is calculated as a percentage (specified in the contract) on the average quarterly outstanding balance. Income from recoveries from banks represent the income from 3 loans at BKT and Credins, for which the claim payout is paid before to the bank and since the procedures for recoveries has started, the bank pays back to ADGF the respective amount according to the coverage.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***17. INCOME FROM GENERAL ACTIVITY (CONTINUED)**

Upfront fee is a one-time fee calculated on the guaranteed loan amount and is received when loan is disbursed. Upfront fees are at first registered as deferred revenue and then recognized in income or expenditure over the maturity of loan guaranteed.

18. INCOME FROM DONATION

Income from donations is composed as follows:

	For the period ended December 31, 2022	For the period ended December 31, 2021
Income from donations - Depreciation of assets granted from GFA	108,554	143,216
Total	108,554	143,216

19. OTHER FINANCIAL INCOME

Other financial income is composed as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Interest income from treasury bonds	232,605,497	184,883,470
Interest income from deposits	588,696	2,839,411
Other income from withholding	17,909,222	2,617,742
Total	251,103,415	190,340,623

Other financial income is composed by interest income from investment in treasury bonds, bank deposits and other income from withholding. Other income from withholding for the year ended December 31, 2022 represent the reimbursement of the withholding amount held in the past by BKT for the income generated from investments in securities and deposits. The reimbursement was made in January 2022. Based on the final decision issued on 25.05.2021 by the Tax Appeal Directorate, the Foundation is exempt from withholding tax and banks should not withheld this tax from the foundation.

20. STAFF COSTS

Staff costs is composed as follows:

	For the period ended December 31, 2022	For the period ended December 31, 2021
Gross Salaries	17,420,830	13,615,179
Social and health insurance	1,377,005	1,043,585
Pension fund contributions	568,599	667,592
Total	19,366,434	15,326,356

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***21. OTHER OPERATING EXPENSES**

Other operating expenses is composed as follows:

	For the period ended December 31, 2022	For the period ended December 31, 2021
Bank charges for investments custody	5,377,265	5,298,700
Claim pay-out	3,752,166	8,988,681
Audit	1,927,894	1,370,882
Office maintenance and supplies	1,015,860	1,038,591
Health insurance	611,173	438,856
Training for staff	291,500	73,440
Insurance expense	275,988	295,512
Post and communication	172,714	150,063
Other expense	170,875	167,791
Bank charges	132,581	165,688
Utilities	118,494	100,773
Withholding tax	18,855	5,037,814
Local Taxes	15,000	15,000
Transport expenses	14,229	-
Tax consultancy	-	73,938
Total	13,894,594	23,215,729

As at December 31, 2022, the Claim represent the Foundation payments for 5 defaulted clients of BKT and 1 defaulted client of Union Bank with more than 180 days past due, covering 50% of the outstanding exposure as per contractual agreement with the banks, in the amount of 3,752,166 ALL (2021: 8,988,681 ALL).

22. PROVISION FUND FOR FINANCIAL GUARANTEES AND INVESTMENTS

The movement in the provision liability for guarantees to banks and micro-financing institutions is as follows:

	2022	2021
As at January 1	108,992,462	79,018,551
Default financial guarantees	(1,270,855)	(5,942,745)
Reverse provision of the year	(27,335,642)	(11,018,816)
Provision expense of the year	53,727,089	46,935,472
Provision expense of the year, net	25,120,592	29,973,911
As at December 31	134,113,054	108,992,462

For the year ended December 31, 2022, there is an increase in provision expense for financial guarantees, which is directly related to the impairment amount calculated by the partner banks and the percentage of non-performing loans during the last three years from MFIs.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***22. PROVISION FUND FOR FINANCIAL GUARANTEES AND INVESTMENTS (CONTINUED)**

	2022	2021
Provision for investments		
As at January 1	46,078,667	35,699,560
Release of provision for investments	(3,801,980)	-
Provision expense for investments	8,439,761	10,379,107
Provision expense of the year, net	4,637,780	10,379,107
As at December 31	50,716,447	46,078,667
Provision for term deposits		
As at January 1	4,938,898	1,218,407
Release provision for term deposits	(4,938,898)	-
Provision expense for term deposits	-	3,720,490
Provision expense of the year, net	-	3,720,490
As of December 31	-	4,938,897
(Release)/provision expense of the period, net	(301,117)	14,099,597
Total in the end of the period, net	50,716,447	51,017,564

For the year ended December 31, 2022, there is an increase in provision expense for investments, which is directly related to the impairment amount calculated for the investment of the funds in treasury bonds and deposits.

23. LOSSES FROM FOREIGN EXCHANGE TRANSLATIONS, NET

The balance is composed as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Gain from foreign exchange rate	8,204,170	5,726,993
Loss from foreign exchange rate	(165,082,546)	(69,151,905)
Losses from foreign exchange translations, net	(156,878,376)	(63,424,912)

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***24. CONTINGENCIES AND COMITMENTS**

As at December 31, 2022 and December 31, 2021, the Foundation had no other legal claims against it that were not both minor and in the ordinary course of business.

Contingencies as at December 31, 2022 include the following:

	As at December 31, 2022		As at December 31, 2021	
	Outstanding Balance guaranteed	Disbursed amount guaranteed	Outstanding Balance guaranteed	Disbursed amount guaranteed
Contingent liabilities				
Guarantees to NOA	390,542,460	1,066,300,000	538,123,411	916,300,000
Guarantees to FedInvest	210,585,400	480,040,400	181,505,000	375,800,000
Guarantees to Unifin	-	-	-	-
Guarantees to Fondi Besa	279,521,800	932,625,800	473,730,400	832,625,800
Guarantees to Crimson Finance Fund Albania	46,049,035	57,115,000	23,527,449	24,152,000
Guarantees to Agro & Social Fund	109,281,335	116,969,883	-	-
Guarantees to Credins Bank's customers	185,181,625	507,873,219	191,413,818	398,116,210
Guarantees to BKT's customers	41,835,780	217,183,236	39,989,799	188,940,240
Guarantees to Union Bank's customers	788,679,866	1,137,350,750	430,782,078	551,613,180
Guarantees to Fibank's customers	69,423,723	115,733,674	65,594,708	78,249,700
Guarantees to OTP Bank's customers	803,658,530	1,263,051,220	836,730,709	1,036,641,306
Total	2,924,759,554	5,894,243,182	2,781,397,372	4,402,438,436

The Foundation provides guarantees for customers through banking institutions on a risk sharing basis and with maximum ceiling of EUR 500,000 and guarantees the commercial borrowings of micro financing institutions from local banks under separate guarantees.

Outstanding balance guaranteed is related with the outstanding balance of the guarantees provided by the Foundation. Disbursed amount guaranteed is related with the guaranteed amount of the disbursed loans, which is from 50% to 70% of the total amount disbursed for banking institutions, based on the conditions provided in the Partnership Agreements, and from 75% to 100% of the amounts disbursed for micro financing institutions based on the conditions provided in the Memorandum of Understandings.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2022

*(Amounts in ALL, unless otherwise stated)***25. RELATED PARTY TRANSACTIONS**

A party is related to an entity if, directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with the entity, the party has an interest in the entity that gives it significant influence over the entity, the party has joint control over the entity, the party is an associate or the party is a member of the key management personnel of the entity or its parent.

Transactions with related parties constitute:

	As at December 31, 2022	As at December 31, 2021
Long term grants from KFW	-	652,104,000
Long term grants from GFA	194,120	299,696
Long term grants from GFA Albania Branch	5,560	8,538
Total	199,680	652,412,234

	For the period ended December 31, 2022	For the period ended December 31, 2021
Income		
Incomes from donations - Depreciation of assets	108,554	143,216
Total	108,554	143,216

Key management compensation

	For the period ended December 31, 2022	For the period ended December 31, 2021
Income		
Key management compensation	6,326,450	5,509,188
Total	6,326,450	5,509,188

26. EVENTS AFTER THE REPORTING PERIOD

The management of the Organization is not aware of any other events after the reporting date that would require either adjustments or additional disclosures in the financial statements.