

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

**Independent Auditor's Report and
Financial statements
as at and for the year ended December 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Supervisory Board of Albanian Development Guarantee Foundation

Audit Report on the Financial Statements

Opinion

We have audited the financial statements of Albanian Development Guarantee Foundation (the "Foundation" or "ADGF"), which comprise the statement of financial position as at 31 December 2023, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of 31 December 2023, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with the 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 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 Albania (IEKA Code), 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 Matter

The financial statements for the year ended 31 December 2022 were audited by another auditor who expressed an unqualified opinion on those financial statements on 31 May 2023.

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 International Financial Reporting Standards, 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.
- 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 of Foundation 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.

Report on Other Information

Other information includes information prepared in accordance with articles 17, 18 and 19 of Law No. 25\2018 'On Accounting and Financial Statements', besides the financial statements and this auditor's report. Management is responsible for other information as required by the law which is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any type of assurance conclusion with respect to this information. In connection with our audit of the financial statements, we have a responsibility to read the other information identified above when it becomes available to us and to evaluate whether such information is materially inconsistent with the financial statements or with the knowledge we obtained during the audit or otherwise, if they appear to be materially flawed.

If, based on the work performed, we conclude that this information contains material errors, then we must report this fact.

Elona Bisha
Statutory Auditor

RSM Albania

Tiranë, 27 May 2024



ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

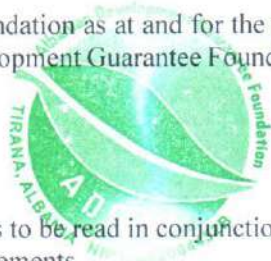
Statement of financial position as at December 31, 2023

(Amounts in ALL)

	Note	As at December 31, 2023	As at December 31, 2022
ASSETS			
Non - current assets			
Property and equipment	7	2,026,116	2,206,584
Intangible assets	8	4,720,515	268,484
Right of Use Assets	9	9,828,571	14,704,500
Investments held to collect contractual cash flows	10	5,597,616,423	5,576,823,942
Total non-current assets		5,614,191,625	5,594,003,510
Current assets			
Held to maturity Treasury bills	10	-	94,305,993
Investments held to collect contractual cash flows	10	126,397,036	222,527,192
Accounts receivable	11	14,472,685	10,155,917
Cash on hand and at banks	12	336,173,815	177,116,258
Total current assets		477,043,536	504,105,360
TOTAL ASSETS		6,091,235,161	6,098,108,870
LIABILITIES AND EQUITY			
NET ASSETS			
Fund balance		5,599,957,332	5,599,957,332
Retained funds		253,038,085	177,712,795
Net income of the year		(103,788,793)	75,325,291
Total net assets		5,749,206,624	5,852,995,418
Non – current liabilities			
Deferred revenue	13	91,916,208	83,976,599
Lease liability	14	6,244,207	10,629,444
Total non-current liabilities		98,160,415	94,606,043
Current liabilities			
Deferred revenue	13	9,957,757	10,875,440
Lease liability	14	2,796,518	3,346,118
Provision fund for financial guarantees	21	224,814,223	134,113,054
Other liabilities	15	6,299,624	2,172,797
Total current liabilities		243,868,122	150,507,409
TOTAL LIABILITIES AND EQUITY		6,091,235,161	6,098,108,870

These financial statements of the Foundation as at and for the year ended December 31, 2023 were approved by the Management of Albanian Development Guarantee Foundation on May 20, 2024, 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 5 to 27, which are forming part of these financial statements.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Statement of income and retained funds for the year ended December 31, 2023

(Amounts in ALL)

	Note	For the year ended December 31, 2023	For the year ended December 31, 2022
Income from general activity	16	56,058,398	43,913,561
Income from donation	17	82,330	108,554
Other financial income	18	237,252,106	251,103,415
Total of operating income		293,392,834	295,125,530
Staff Costs	19	(24,531,483)	(19,366,434)
Depreciation and amortization	7, 8, 9	(3,916,067)	(4,372,302)
Other operating expenses	20	(23,612,365)	(13,894,594)
Impairment charge on financial guarantees	21	(90,701,169)	(25,120,592)
Impairment reversal/(expense) on financial instruments	10	5,053,346	301,117
Total expenses		(137,707,738)	(62,452,805)
Operating income, net		155,685,096	232,672,725
Financial expense		(728,560)	(469,058)
Net losses from foreign exchange translations	22	(258,745,329)	(156,878,376)
Net financial expense		(259,473,889)	(157,347,434)
Net (expense)/income		(103,788,793)	75,325,291
Other comprehensive income		-	-
Total comprehensive (expense)/income for the year		(103,788,793)	75,325,291

The statement of income and retained funds has to be read in conjunction with the notes set out in pages 5 to 27, which are forming part of these financial statements.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Statement of fund balance for the year ended December 31, 2023

(Amounts in ALL)

	Fund balance	Retained fund / (losses)	Total
Balance at January 1, 2022	<u>4,946,233,332</u>	<u>177,712,795</u>	<u>5,123,946,127</u>
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	<u>-</u>	<u>75,325,291</u>	<u>75,325,291</u>
Balance at December 31, 2022	<u>5,599,957,332</u>	<u>253,038,086</u>	<u>5,852,995,418</u>
Contribution from founder	-	-	-
Net expense for the year	-	(103,788,793)	(103,788,793)
Comprehensive income for the year	-	-	-
Total comprehensive (expenses/income for the year)	<u>-</u>	<u>(103,788,793)</u>	<u>(103,788,793)</u>
Balance at December 31, 2023	<u>5,599,957,332</u>	<u>149,249,293</u>	<u>5,749,206,625</u>

The statement of changes in fund balance has to be read in conjunction with the notes set out in pages 5 to 27, which are forming part of these financial statements.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Statement of cash flow for the year ended December 31, 2023

(Amounts in ALL)

	Note	For the year ended December 31, 2023	For the year ended December 31, 2022
Cash flows from operating activities			
Net (expense)/income for the year		(103,788,793)	75,325,291
<i>Adjustments for:</i>			
Depreciation and amortization	7,8,9	3,916,067	4,372,302
Exchange rate differences		8,816,403	1,827,485
Provision expense	10,21	85,647,823	24,819,474
Interest Expense		728,560	469,058
Interest income		(237,252,106)	(233,194,193)
Operating loss before changes in working capital		(241,932,046)	(126,380,583)
<i>Changes in working capital:</i>			
Decrease/(increase) in accounts receivable		(4,316,768)	5,559,577
Increase in deferred revenue		7,021,926	4,397,705
Increase in prepayments		-	-
Increase in other liabilities		4,126,827	413,880
Changes in discount/premium		(13,864,361)	5,268,450
Interest received		238,638,481	227,619,044
Net cash flows (used in)/from operating activities		(10,325,941)	116,878,073
Cash flows from investing activities			
Purchase of fixed assets		(3,311,702)	(145,400)
Investment in treasury bills		-	(100,000,000)
Investment in treasury bonds		(80,125,000)	(723,215,000)
Proceeds from maturity of term deposits		-	544,033,818
Proceeds from maturity of treasury bills and treasury bonds		267,300,000	167,300,000
Cash from/(used in) investing activities		183,863,298	(112,026,582)
Cash flow from financing activities			
Repayment of lease		(5,663,397)	(4,706,109)
Contribution from founders		-	653,724,000
Grand Capitalization		-	(652,104,000)
Cash used in financing activities		(5,663,397)	(3,086,109)
Net increase in cash and cash equivalents		167,873,960	1,765,382
Cash and cash equivalents at the beginning of the year		177,116,257	177,178,359
Exchange rate effect on cash and cash equivalent		(8,816,402)	(1,827,483)
Cash and cash equivalents at the end of the year	12	336,173,815	177,116,257

The statement of cash flows has to be read in conjunction with the notes set out in pages 5 to 27, which are forming part of these financial statements.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

(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 (‘NBFIs’) 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

Martin Mici – Member (after the resignation of Mirgen Dobruna, approved by the court on 21 March 2024).

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

On December 31, 2023, the Foundation had 7 employees (December 31, 2022: 7 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.

(Amounts in ALL, unless otherwise stated)

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

2.3 New and amended standards effective for annual periods beginning on or after January 1, 2023

Some amendments which became effective from January 1, 2023 and therefore entered into force, do not have a significant impact on the result or the financial position of the Organisation.

These amendments do not have a significant impact on these Financial Statements and therefore disclosures have not been made.

New standards that can be adopted earlier:

-Sale or contribution of assets between an investor and its affiliated company or joint venture (Updates to IFRS 10 and IAS 28)

New standards and interpretations, not yet adopted:

- Classification of liabilities as short-term or long-term (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and updates to IFRS 17 Insurance Contracts
- Presentation of explanatory notes for accounting policies (Amendments to IAS 1 and Statement of Practice IFRS 2).
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

These changes are not expected to have a significant impact on the financial statements in the period of initial application and therefore disclosures have not been made.

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, 2023 for financial assets	4,566,310	(4,566,310)
	PD and ECL	
	+10%	-10%
Impairment As at December 31, 2022 for financial assets	4,991,680	(4,991,680)

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

(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. For 2023 the organisation has continued to operate with positive operating income. The negative net income for year 2023 was impacted from the exceptional drop of exchange rate EUR/ALL. Although the organisation has sufficient funds to continue its activity for the foreseeable future. The Foundation, 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 continue 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, 2023	December 31, 2022
EUR/ALL	103.88	114.23

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	2023	2022
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, 2023

(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 Impairment of non-financial assets

The accounting value of non-financial assets, other than inventories and deferred tax assets, is reviewed at each reporting date for any indication of impairment. If such an indicator exists, then the recoverable amount of the asset is estimated. An impairment loss is recognized if the residual value of an asset or cash-flow generating unit exceeds the recoverable amount. A cash-generating unit is the most identifiable group of assets that generate cash flows that are clearly independent of other assets or groups. Impairment losses are recognized in profit or loss. The recoverable amount of an asset or a generating unit is the greater of its available value and its fair value after deducting costs to sell. In assessing value in use, future cash flows are discounted to their present value using a (before tax) discount rate that reflects current market assessments of the asset's time value and asset-specific risks. The impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The impairment loss is reversed to the extent that the asset's residual value does not exceed the residual value that would have been determined after deducting depreciation if the impairment loss had not been recognised.

5.4 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.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

(Amounts in ALL, unless otherwise stated)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.4 Leases (continued)

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.

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 entity 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.

5.5 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized when the Organisation becomes a party to the contractual provisions of financial instruments and are initially measured at fair value adjusted for transaction costs, with the exception of those held at fair value through profit or loss which are initially measured at fair value and transaction costs are expensed in profit or loss.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three main classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and the characteristics of the financial asset's contractual cash flows.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

(Amounts in ALL, unless otherwise stated)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Organisation changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the entity may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes any derivative financial assets. On initial recognition, the entity may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

(Amounts in ALL, unless otherwise stated)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

(ii) Impairment of financial assets

IFRS 9 supports an 'expected credit loss' (ECL) model. The impairment model is applied to financial assets measured at amortized cost and financial assets at fair value through other comprehensive income.

If, in a subsequent period, the amount of the impairment loss has decreased and the impairment can be associated with events occurring after the impairment was recognized (such as an improvement in the credit index), the previously recognized impairment loss is reversed by adjusting the reserve account. The amount of the change is recognized in income and expenses. The Organisation uses a general impairment model where financial assets are categorised into three stages of risks, Stage 1- low risk, Stage 2 - increased risk, and Stage 3 defaults or lost.

(iii) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iv) 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, 2023

(Amounts in ALL, unless otherwise stated)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

(v) 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.

(vi) 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. All the financial assets of the organization are held at amortized cost.

(vii) 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.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

(Amounts in ALL, unless otherwise stated)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.6 Fund Balance

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

5.7 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.

5.8 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.

5.9 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

5.10 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 51,940,000 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, 2023

(Amounts in ALL, unless otherwise stated)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.11 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.

5.12 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.

5.13 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.

5.14 Operating expenses

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

5.15 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.

5.16 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, 2023

*(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, 2023	As at December 31, 2022
Cash on hand and at banks	336,173,815	177,116,258
Term deposits – BKT	-	-
Term deposits – OTP	-	-
Term deposit - Union Bank	-	-
Term deposit – Credins Bank	-	-
Investments held to collect contractual cash flows	5,724,013,459	5,799,351,134
Total	6,060,187,274	5,976,467,392

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, 2023</i>		
Neither past due nor impaired	-	-
Not past due but impaired as per requirements of IFRS 9	5,769,676,559	5,769,676,559
Impairment	(45,663,101)	(45,663,101)
Total	5,724,013,458	5,724,013,458
<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
Cash and Cash equivalents		
<i>As of December 31, 2023</i>		
Neither past due nor impaired	336,173,815	336,173,815
Not past due but impaired as per requirements of IFRS 9	-	-
Impairment	-	-
Total	336,173,815	336,173,815
<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

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

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

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 Standard and Poor's	Institution	Probability of default
B (positive outlook)	Sovering Bonds Local Currency	1.84%
B (positive outlook)	Sovering Bonds Foreign Currency	1.42%

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, 2023 and December 31, 2022.

December 31, 2023	Carrying Amounts	Up to 3 months	3-12 months	1-10 years
Financial assets				
Cash and cash equivalents	336,173,815	336,173,815	-	-
Accounts receivable	14,472,685	14,472,685	-	-
Investments held to collect contractual cash flows	5,724,013,459	59,839,731	106,878,606	5,557,295,121
	6,074,659,959	410,486,231	106,878,606	5,557,295,121
Financial liabilities				
Other liabilities	6,299,624	6,299,624	-	-
Lease Liability	9,040,725	-	2,796,518	6,244,207
Contingent liabilities	4,057,937,042	-	4,057,937,042	-
	4,073,277,391	6,299,624	4,060,733,560	6,244,207
Liquidity gap	2,001,382,568	404,186,607	(3,953,854,954)	5,551,050,914

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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Liquidity risk (continued)

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	-	-
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	2,172,797	2,172,797	-	-
Lease Liability	13,975,562	-	3,346,118	10,629,443
Contingent liabilities	2,924,759,553	-	2,924,759,553	-
	2,940,907,912	2,172,797	2,928,105,671	10,629,443
Liquidity gap	3,045,715,397	244,939,110	(2,821,227,065)	5,622,003,353

7. PROPERTY AND EQUIPMENT

Property and equipment as at December 31, 2023 and December 31, 2022 is composed as follows:

	Furniture office and Fittings	Computers equipment	Leasehold improvements	Total
<i>Cost</i>				
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
Additions	137,352	254,935	-	392,287
As at December 31, 2023	1,552,953	2,303,273	1,487,300	5,343,526
<i>Accumulated Depreciation</i>				
As at December 31, 2021	(775,684)	(1,050,527)	(311,762)	(2,137,973)
Depreciation for 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)
Charge of the year	(124,830)	(212,817)	(235,108)	(572,755)
As at December 31, 2023	(1,027,665)	(1,507,767)	(781,978)	(3,317,410)
<i>Net book value</i>				
As at December 31, 2022	512,766	753,388	940,430	2,206,584
As at December 31, 2023	525,288	795,506	705,322	2,026,116

No property, plant or equipment is pledged as collateral to third party financing as at December 31, 2023 and 2022.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

*(Amounts in ALL, unless otherwise stated)***8. INTANGIBLE ASSETS**

Intangible assets as at December 31, 2023 and December 31, 2022 is composed as follows:

	Software	Total
<i>Cost</i>		
As at December 31, 2021	1,616,200	1,616,200
Additions	-	-
As at December 31, 2022	<u>1,616,200</u>	<u>1,616,200</u>
Additions	4,519,152	4,519,152
As at December 31, 2023	<u>6,135,352</u>	<u>6,135,352</u>
<i>Accumulated Depreciation</i>		
As at December 31, 2021	(1,258,221)	(1,258,221)
Charge of the year	(89,495)	(89,495)
As at December 31, 2022	<u>(1,347,716)</u>	<u>(1,347,716)</u>
Charge of the year	(67,121)	(67,121)
As at December 31, 2023	<u>(1,414,837)</u>	<u>(1,414,837)</u>
<i>Net book value</i>		
As at December 31, 2022	<u>268,484</u>	<u>268,484</u>
As at December 31, 2023	<u>4,720,515</u>	<u>4,720,515</u>

9. RIGHT OF USE ASSETS

The Right of Use Assets as at December 31, 2023 and December 31, 2022 is composed as follows:

	Right of Use	Total
<i>Cost</i>		
As at January 1, 2022	26,130,445	26,130,445
Additions	-	-
As at December 31, 2022	<u>26,130,445</u>	<u>26,130,445</u>
Remeasurement (note 14)	(13,025,683)	(13,025,683)
As at December 31, 2023	<u>13,104,762</u>	<u>13,104,762</u>
<i>Accumulated Depreciation</i>		
As at January 1, 2022	(7,749,820)	(7,749,820)
Charge of the year	(3,676,125)	(3,676,125)
As at December 31, 2022	<u>(11,425,945)</u>	<u>(11,425,945)</u>
Charge of the year	(3,276,191)	(3,276,191)
As at December 31, 2023	<u>(3,276,191)</u>	<u>(3,276,191)</u>
<i>Net book value</i>		
As at December 31, 2022	<u>14,704,500</u>	<u>14,704,500</u>
As at December 31, 2023	<u>9,828,571</u>	<u>9,828,571</u>

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

*(Amounts in ALL, unless otherwise stated)***10. INVESTMENTS HELD TO COLLECT CONTRACTUAL CASH FLOWS****10.1 Treasury Bills**

As at December 31, 2023 and December 31, 2022 the investments on treasury bills are as follows:

	As at December 31, 2023	As at December 31, 2022
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.

10.2 Treasury Bonds

Investments on treasury bonds as at December 31, 2023 and December 31, 2022 are comprised as follows:

	As at December 31, 2023	As at December 31, 2022
Treasury Bonds	3,135,000,000	2,968,600,000
Treasury Bonds – Eurobonds	2,545,060,000	2,798,635,000
Discount – Bonds	(3,858,715)	(5,637,786)
Premium – Bonds	7,365,589	1,665,097
Discount Eurobonds	(2,063,069)	(2,555,739)
Premium – Eurobonds	4,021,025	6,571,133
Accrued interest – Bonds	59,456,104	54,759,677
Accrued interest – Eurobonds	24,695,625	27,230,555
Total	5,769,676,559	5,849,267,937
Allowance for impairment	(45,663,100)	(49,916,803)
Total carrying amount	5,724,013,459	5,799,351,134

During 2023 the Foundation purchased new investments in T-Bonds in Lek. The new Treasury Bonds have fix-rated coupon 5.8% to be matured in 2 years; fix-rated coupon 5% to be matured in 3 years and fix-rated coupon 6% to be matured in 5 years.

	Treasury Bonds	Treasury Bonds (Eurobonds)
Opening balance January 1	2,968,600,000	2,798,635,000
Matured during the period	(123,600,000)	-
Investments during the period	290,000,000	-
Changes in value due to ER	-	(253,575,000)
Closing balance December 31	3,135,000,000	2,545,060,000

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

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

The new purchased Treasury Bonds to be matured in 3 years are purchased at a premium related to the yield 4.25%, which is lower than the coupon rate 5% and the Treasury Bonds to be matured in 5 years are purchased at a premium related to the yield 4.95%, for which the fix-rated coupon is 6%.

	December 31, 2023	December 31, 2022
Treasury Securities in ALL	3,197,962,978	3,019,386,988
Treasury Securities in EUR	2,571,713,581	2,829,880,949
Allowance for impairment	(45,663,100)	(49,916,803)
Total	5,724,013,459	5,799,351,134

	2023			
	Stages according to Expected Loss on Financial Assets			
	Stage 1	Stage 2	Stage 3	Total
Investments	5,769,676,559	-	-	5,769,676,559
Gross amount	5,769,676,559	-	-	5,769,676,559
Impairment	(45,663,100)	-	-	(45,663,100)
Net amount	5,724,013,459	-	-	5,724,013,459
	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

There were no transfers between stages during the year ended 31 December 2023 and 31 December 2022.

11. ACCOUNTS RECEIVABLE

Account receivable as at December 31, 2023 and December 31, 2022 is comprised as follows:

	As at December 31, 2023	As at December 31, 2022
Current		
Receivable from MFIs	3,623,479	1,181,089
Receivable from Banks	9,842,859	8,178,278
Prepayments	1,006,347	796,550
Total	14,472,685	10,155,917

Accounts receivable as of December 31, 2023 represent the amounts not paid by Banks and MFIs related to interest and upfront fee for the fourth quarter.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

*(Amounts in ALL, unless otherwise stated)***12. CASH AND CASH EQUIVALENT**

Cash on hand and at banks as at December 31, 2023 and December 31, 2022 is comprised as follows:

	As at December 31, 2023	As at December 31, 2022
Cash at bank in ALL	238,851,694	145,135,757
Cash at bank in EUR	97,304,126	31,968,391
Cash on hand	17,995	12,110
Total Cash on Hand and at Banks	336,173,815	177,116,258

As at December 31, 2023 cash at bank includes current accounts held at BKT, Credins Bank, Union Bank, Fibank, OTP Bank, Raiffeisen Bank and Intesa Sanpaolo Bank.

13. DEFERRED REVENUE

As at December 31, 2023 and December 31, 2022 deferred revenues are detailed as follows:

	As at December 31, 2023	As at December 31, 2022
Current portion		
Upfront fee	9,876,102	10,732,224
Grants from GFA	79,438	139,245
Grants from GFA Albania Branch	2,216	3,971
	9,957,756	10,875,440
Non-current portion		
Upfront fee	25,002,847	16,660,500
Grants from GFA	173,831	194,120
Grants from GFA Albania Branch	5,081	5,560
Long term grants from Ministry of Agriculture	62,765,278	62,765,278
Grants from KfW	-	-
Grants from FEFAD	3,969,171	4,351,141
	91,916,208	83,976,599
Total	101,873,964	94,852,039

As at December 9, 2021, the Foundation received a grant from KfW for an amount equivalent to ALL 653,724,000.

Upfront fee represents one-time fee calculated on the guaranteed loan amount and is received when loan is disbursed.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION
Notes to the financial statements for the year ended December 31, 2023
(Amounts in ALL, unless otherwise stated)

14. LEASE LIABILITY

The terms and conditions of outstanding lease liabilities as of December 31, 2023 are as follows:

	Currency	Incremental borrowing rate	Year of maturity	Minimum monthly lease payments	
				In OCY	In LCY (€000)
Lease liabilities	EUR	7.32%	2026	2,700	280,476

Lease liabilities	December 31, 2023	December 31, 2022
Analyzed as:		
Current	2,796,518	3,346,118
Non-current	6,244,207	10,629,444
	9,040,725	13,975,562

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

Maturity analysis	31 December 2023	31 December 2022
- Less than one year	2,796,518	3,346,118
- Between one and two years	3,008,232	3,442,747
- Between two and three years	3,235,975	3,542,184
- More than three years	-	3,644,513
	9,040,725	13,975,562
Less future interest expense	-	-
Finance lease liability	9,040,725	13,975,562

As at December 31, 2023 the organization has remeasured the lease liability and right of use due to the change in the incremental borrowing rate. The applied incremental borrowing rate is 7.32% (2022 – 3.00%)

15. OTHER LIABILITIES

Other liabilities as at December 31, 2023 and December 31, 2022 are comprised as follows:

	As at December 31, 2023	As at December 31, 2022
Accrued expense	3,457,503	1,375,251
Local creditors/suppliers	1,690,196	-
Personal income tax	556,008	546,561
Social and health insurance	229,670	249,574
Withholding tax	366,247	1,411
Total	6,299,624	2,172,797

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

*(Amounts in ALL, unless otherwise stated)***16. 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 year ended December 31, 2023	For the year ended December 31, 2022
Interest income from Banks	28,073,888	24,075,610
Interest income from MFIs	10,726,650	7,521,890
Income from upfront fee – MFIs	7,247,383	4,939,193
Income from upfront fee – Banks	8,348,314	6,768,211
Income from recoveries – Banks	1,662,163	608,657
Total	56,058,398	43,913,561

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 8 loans at BKT, 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.

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. The entity earns upfront fee on guaranteed amounts at a rate varying from 0.5% - 1% on Banks and 0.5% - 1.25% on MFI respectively.

17. INCOME FROM DONATION

Income from donations is composed as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Income from donations - grant from GFA	82,330	108,554
Total	82,330	108,554

18. OTHER FINANCIAL INCOME

Other financial income is composed as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest income from treasury bonds	237,245,273	232,605,497
Interest income from deposits	6,833	588,696
Other income from withholding	-	17,909,222
Total	237,252,106	251,103,415

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.

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

*(Amounts in ALL, unless otherwise stated)***19. STAFF COSTS**

Staff costs is composed as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Gross Salaries	21,659,687	17,420,830
Social and health insurance	1,821,041	1,377,005
Pension fund contributions	1,050,755	568,599
Total	24,531,483	19,366,434

On January 12, 2018, the Foundation signed an agreement with Sigal Uniqa 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 entered into a contract with Sigal Uniqa Group Austria for Private Health Insurance for its employees, with the Foundation paying an annual insurance premium. This contract was annually renewed with the company until October 30, 2023, when the Foundation signed a new contract with Intersig – Vienna Insurance Group. 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.

20. OTHER OPERATING EXPENSES

Other operating expenses is composed as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Consultancy support for Management	10,128,234	-
Bank charges for investments custody	5,642,844	5,377,265
Audit	2,782,079	1,927,894
IT infrastructure maintenance	911,932	145,743
Office maintenance and supplies	808,579	798,833
Claim pay-out	779,945	3,752,166
Health insurance	742,061	611,173
Legal consultancy	480,000	-
Insurance expense	256,601	275,988
Video promotion	233,376	-
Post and communication	141,020	172,714
Other expense	137,427	170,875
Rent for garage	116,597	-
Bank charges	107,704	132,581
IT consultancy	103,680	-
Software maintenance	91,229	167,696
Withholding tax	79,763	18,855
Website maintenance	40,355	22,082
Local Taxes	15,000	15,000
Transport expenses	13,939	14,229
Training for staff	-	291,500
Total	23,612,364	13,894,594

As at December 31, 2023, the Claim represent the Foundation payments for 2 defaulted clients of BKT and 1 defaulted client of Credins 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 779,945 ALL (2022: 3,752,166 ALL).

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

*(Amounts in ALL, unless otherwise stated)***21. PROVISION FUND FOR FINANCIAL GUARANTEES AND INVESTMENTS**

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

	2023	2022
As at January 1	134,113,054	108,992,462
Default financial guarantees	(380,972)	(1,270,855)
Reverse provision of the year	(5,481,369)	(27,335,642)
Provision expense of the year	96,563,510	53,727,089
Provision expense of the year, net	90,701,169	25,120,592
As at December 31	224,814,223	134,113,054

For the year ended December 31, 2023, 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.

	2023	2022
Provision for investments		
As at January 1	50,716,447	46,078,667
Reverse provision for investments	(5,053,346)	(3,801,980)
Provision expense for investments	-	8,439,760
Provision expense of the year, net	(5,053,346)	4,637,780
As at December 31	45,663,101	50,716,447

	2023	2022
Provision for term deposits		
As at January 1	-	4,938,898
Reverse provision for term deposits	-	(4,938,898)
Provision expense for term deposits	-	-
Provision expense of the year, net	-	-
As at December 31	-	-
(Release)/provision expense of the period, net	-	(301,117)
Total in the end of the period, net	-	50,716,447

For the year ended December 31, 2023, there is a reverse provision, which is directly related to the impairment amount calculated for the investment of the funds in treasury bonds matured.

22. GAIN/(LOSSES) FROM FOREIGN EXCHANGE TRANSLATIONS, NET

The balance is composed as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Gain from foreign exchange rate	2,099,246	8,204,170
Loss from foreign exchange rate	(260,844,575)	(165,082,546)
(Losses)/Gain from foreign exchange translations, net	(258,745,329)	(156,878,376)

ALBANIAN DEVELOPMENT GUARANTEE FOUNDATION

Notes to the financial statements for the year ended December 31, 2023

*(Amounts in ALL, unless otherwise stated)***23. CONTINGENCIES AND COMMITMENTS**

As at December 31, 2023 and December 31, 2022, 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, 2023 include the following:

	As at December 31, 2023		As at December 31, 2022	
	Outstanding Balance guaranteed	Disbursed amount guaranteed	Outstanding Balance guaranteed	Disbursed amount guaranteed
Contingent liabilities				
Guarantees to NOA	625,015,815	1,590,300,000	390,542,460	1,066,300,000
Guarantees to FedInvest	494,422,255	907,540,400	210,585,400	480,040,400
Guarantees to Unifin	-	-	-	-
Guarantees to Fondi Besa	639,307,854	1,473,145,925	279,521,800	932,625,800
Guarantees to Crimson Finance Fund Albania	76,331,967	103,880,026	46,049,035	57,115,000
Guarantees to Agro & Social Fund	112,548,331	164,705,883	109,281,335	116,969,883
Guarantees to Credins Bank's customers	210,301,856	614,399,719	185,181,625	507,873,219
Guarantees to BKT's customers	53,659,071	262,903,688	41,835,780	217,183,236
Guarantees to Union Bank's customers	1,074,745,514	1,852,798,283	788,679,866	1,137,350,750
Guarantees to Fibank's customers	45,020,519	127,873,375	69,423,723	115,733,674
Guarantees to OTP Bank's customers	693,758,381	1,425,677,115	803,658,530	1,263,051,220
Guarantees to ISP Bank's customers	32,825,480	54,884,000	-	-
Total	4,057,937,043	8,578,108,414	2,924,759,554	5,894,243,182

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, 2023
(Amounts in ALL, unless otherwise stated)

24. 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, 2023	As at December 31, 2022
Long term grants from KFW	-	-
Long term grants from GFA	173,831	194,120
Long term grants from GFA Albania Branch	5,081	5,560
Total	178,912	199,680
	For the year ended December 31, 2023	For the year ended December 31, 2022
<i>Income</i>		
Incomes from donations - Depreciation of grant	82,330	108,554
Total	82,330	108,554
Key management compensation		
	For the year ended December 31, 2023	For the year ended December 31, 2022
<i>Income</i>		
Key management compensation	6,959,095	6,326,450
Total	6,959,095	6,326,450

25. 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.