



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT ON ANNUAL FINANCIAL STATEMENTS OF POSTA E KOSOVËS J.S.C. FOR YEAR 2020

Prishtina, June 2021

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NOTE:

This audit report has, for the first time, been generated through the audit management electronic platform SITA. We are also using the new audit report template this year in accordance with the updated financial and compliance audit methodology. For the first time, the report includes a separate compliance audit conclusion.

We are well aware that having to apply all these new features at once and in extraordinary circumstances of a pandemic we might have unwillingly missed any omission. Therefore, we would like to apologise in advance and thank you for your understanding.

To: Artane Rizvanolli, Minister of Economy

Safiye Beseni, Chairwoman of the Board of Directors

Xhevdet Smakiqi, Chief Executive Officer,

Enver Govori, Acting Chief Financial Officer

Address: Rr. 28 Nëntori nr.4, Dardani, Republika e Kosovës

1 Audit Opinion

We have completed the audit of the financial statements of Posta e Kosovës j.s.c. for the year ended on 31 December 2020 in accordance with the Law on the National Audit Office of the Republic of Kosovo and International Standards of Supreme Audit Institutions (ISSAIs). The audit was mainly conducted to enable us to express an opinion the financial statements and conclusion on compliance with authorities¹.

Adverse Opinion on Financial Statements

We have audited the annual financial statements of Posta e Kosovës j.s.c., which comprise the statement of financial position for year 2020, statement of comprehensive income, statement of cash flow, statement of changes in equity, and explanatory notes to financial statements, including a summary of significant accounting policies for the year ended as at 31 December 2020.

In our opinion, because of the effects of the matters described in the Basis for Adverse Opinion paragraph, the annual financial statements do not give a true and fair view of Posta e Kosovës j.s.c.' financial position as at 31 December 2020, its financial performance and cash flow for year 2020 in accordance with the International Financial Reporting Standards (IFRS).

Basis for Adverse Opinion

- A1 The completeness of transactions of accounts receivable and accounts payable could not be confirmed because of the non-application of a specific and uniform cut-off date for post-reporting adjustments for all international post suppliers/customers. Consequently, there were significant differences between the source documents of transactions of the year and those presented in the financial statements.

¹ Compliance with authorities – compliance with all the public sector laws, rules, regulations, and relevant standards and good practices

- B1 Overstatement of fixed assets was in the amount of € 199,600, for the nine properties illegally occupied by the public postal operator of Serbia, over which Post of Kosovo J.S.C. has no control and does not generate any economic benefits therefrom.
- B2 Based on the issues raised regarding accounts receivable and accounts payable in relation to international posts for differences between source documents of transactions of the year and those presented in the financial statements, we conclude that the cash flow for operational activities does not give true information. In addition, the overstatement of receivables and tax liabilities in the amounts of €76,151 and €34,150 respectively, for 2019, was not corrected by a retrospective restatement when drafting the financial statements for 2020.
- B3 Overstatement of rental income, income from contracts with customers and depreciation expenses, by €378,012, €65,172, and €25,571 respectively. These errors identified in the audit of the financial statements for 2019, were not corrected by a new retrospective declaration and related disclosures in the financial statements for 2020. These unadjusted overstatements affect the financial result of 2019, consequently the amount in the accounting item "Retained earnings" in the statement of changes in equity.
- B4 Management disclosures regarding the going concern hypothesis do not adequately describe the key events or conditions that may cast significant doubt on the Company's ability to continue as going concern, and the management plans that address those events or conditions identified as a result of the audit as follows:
- Possible loss of the Company's main client and significant market (about 53% of the revenues were from this client and the uncollected debt therefrom amounted €1,897,000), for which there are material uncertainties that cast considerable doubts on its ability to generate its assets and pay off its liabilities in the normal course of business; and
 - Significant ongoing operational losses, which for eight consecutive years totaled to €20,815,411, which may cast significant doubt on the Company's ability to continue as going concern.

For more details see subchapter 2.1. Issues with impact on the audit opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. NAO is independent from the auditee in accordance with INTOSAI-P-10, ISSAI 130, NAO Code of Ethics, and other requirements relevant to our audit of the publicly owned enterprises' AFS. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Compliance Conclusion

We have also audited Posta e Kosovës j.s.c.'s Management compliance with the established audit criteria arising from the applicable legislation as regards making use of financial resources of the auditee.

In our conclusion, transactions carried out in the process of execution of Posta e Kosovës j.s.c.'s budget have been, in all material respects, in compliance with the established audit criteria arising from the applicable legislation as regards making use of financial resources of the auditee

Basis for conclusion:

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. NAO is independent from the auditee in accordance with INTOSAI-P-10, ISSAI 130, NAO Code of Ethics, and other requirements relevant to our audit of the budget organisations' AFS. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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

Management is responsible for the preparation and fair presentation of financial statements in accordance with the International Public Sector Accounting Standards – Financial reporting under the cash basis of accounting. In addition, Management is responsible for establishing internal controls it determines are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. This includes implementation of the Law no.03/L-048 on Public Finance Management and Accountability (amended and supplemented), Law no. 04/L-087 on Publicly Owned Enterprises (amended and supplemented), and Law no.06/L-032 on Accounting, Financial Reporting and Auditing.

The Board of Directors is responsible to ensure the oversight of the Posta e Kosovës j.s.c.'s financial reporting process.

Management's Responsibility for Compliance

Posta e Kosovës j.s.c.'s Management is also responsible for the use of Posta e Kosovës j.s.c.'s financial resources in compliance with the Law on Publicly Owned Enterprises, and all other applicable rules and regulations.²

² Collectively referred to as compliance with authorities

Auditor General's Responsibility for the audit of AFS

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 ISSAIs 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.

Our objective is also to express an audit opinion on compliance of respective Posta e Kosovës j.s.c.'s authorities with the established audit criteria arising from the applicable legislation as regards making use of financial resources of the auditee. As part of an audit in accordance with the ISSAIs, 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.
- Identify and assess the risks of non-compliance with authorities, 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 on compliance with authorities. The risk of not detecting an incidence of non-compliance with authorities 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 Posta e Kosovës j.s.c.'s internal control.
- Assess 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 Posta e Kosovës j.s.c.'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 Organisation to cease to continue as a going concern

- Assess the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements give a true and fair view of the underlying transactions and events.

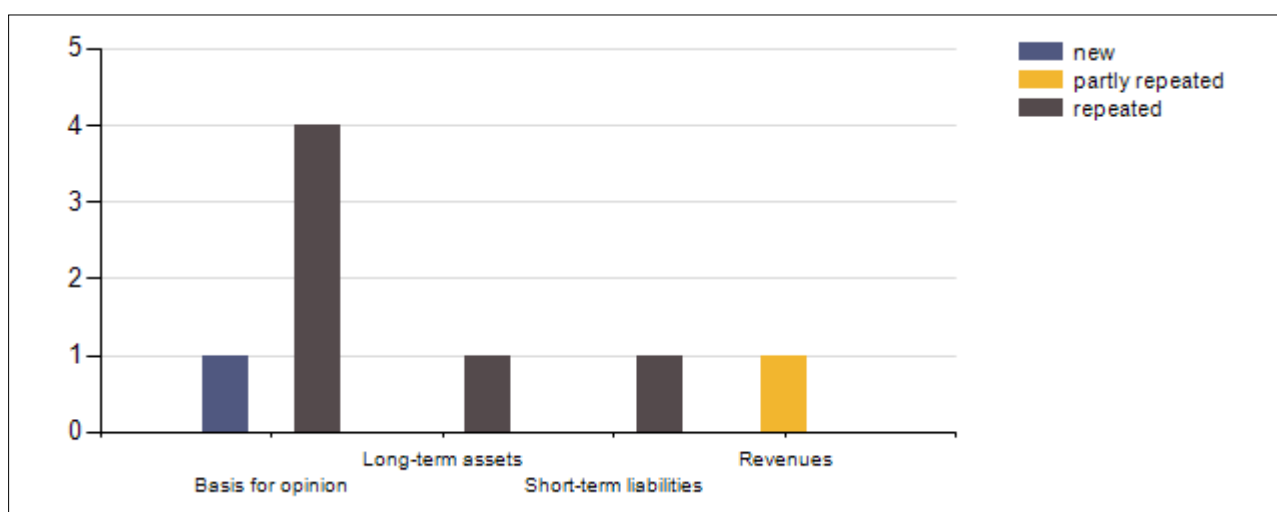
We communicate with management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The audit report is published on the NAO's website, except for information classified as sensitive or other legal or administrative prohibitions in accordance with applicable legislation.

2 Findings and recommendations

During the audit, we have identified areas of possible improvement, including internal control, that are presented for your consideration below in the form of findings (as shown in Graphic 1 below) and recommendations. These finding and recommendations are intended to make necessary adjustment to the financial information presented in the financial statements, including disclosures in the notes, and improve internal controls relevant to financial reporting and compliance with authorities in connection to the management of public sector funds. We will follow up these recommendations during next year's audit.

Chart 1. Type of findings by economic categories³



We have also reviewed the status of previous year's recommendations and conducted an assessment on the extent of their implementation [for details, please see Chapter 4].

³ Issue A and recommendation A – means new issue and recommendation
 Issue B and recommendation B – means repeated issue and recommendation
 Issue C and recommendation C – means partly repeated issue and recommendation

2.1 Issues with impact on the opinion

Issue A1 – Failure to reconcile balance sheets with international Posts within the reporting period and failure to give explanatory notes on amounts not corrected after the reporting period

Finding According to IAS 10.8, an entity shall adjust the amounts recognized in its financial statements to reflect adjustable events after the reporting period, whilst according to paragraph 18, users know when the financial statements are authorised for publication, as the statements do not reflect events after that date.

Due to the nature of international postal traffic, almost throughout the following year/after the reporting period, reconciliations are made between international postal administrations for events or transactions of the previous year (in this case 2020). Therefore, many transactions after the reporting date remain unadjusted. Moreover, the Company did not apply a specific and uniform cut-off date for adjustments after the reporting date for all international post suppliers/customers. Consequently, there were significant differences between the source documents of transactions for the year and those presented in the financial statements. Thus, completeness of such transactions could not be confirmed. In addition, the balance of accounts receivable from international Posts presented by the entity is €899,835, but at the same time they have balances of accounts payable to international Posts in the amount of €240,271.

This was because the Company did not apply a specific and uniform cut-off date for post-reporting adjustments to all international post suppliers/customers, thus IAS 10 requirements were not adequately applied.

Impact Failure to reconcile balance sheets with international Posts within the reporting period and failure to disclose amounts remaining unadjusted after the reporting period may result in untrue reporting, thus misleading the readers of financial statements.

Recommendation A1 The Board of Directors should ensure the accounting and financial reporting standards are fully implemented during preparation of the financial statements, by setting a uniform cut-off date and giving explanatory notes to transactions that could not be recorded in the year concerned.

Issue B1 – Overstatement of fixed assets register

Finding The Conceptual Framework serves to define the basic concepts to be considered in the preparation and presentation of financial statements to external users. Under this framework, an asset is a resource controlled by the entity as a result of past events and from which future benefits are expected to flow to the entity. Thus, the basis for the definition of an asset is the control over it, which is not understood as legal control or legal entitlement to property, but as economic control over it.

According to the Report by the Independent Evaluator and the information provided by PK officers, nine properties with a net book value of €199,600 are illegally occupied by the Serbian public postal operator, over which Post of Kosovo J.S.C. has no control and does not generate any economic benefits therefrom. The Company had these properties registered in the accounting system as inactive for which it had not applied depreciation expenses for 2020, but it had caused an overstatement of the net book value of fixed assets in the amount of €199,600.

The Company considered it a risk of losing track of assets had they not continued to keep these properties in the fixed assets register.

Impact The fixed assets register was overstated by €199,060 which was the net book value of illegally occupied properties.

Recommendation B1 The Board of Directors should ensure that corrective actions are taken regarding the necessary changes in the asset register according to the ascertained factual and legal situation. Moreover, it should ensure implementation of periodic reconciliations between the inventory commission reports and updates on disputes from the legal office with the register of assets accounted for. Detailed information regarding the illegally occupied properties should be disclosed in the explanatory notes as well.

Issue B2 - Untrue presentation of the statement of cash flow

Finding According to IAS 1, a set of financial statements should also contain a cash flow statement which is a summary of all cash inflows and outflows from operating, financial and investing activities.

The Company prepared the cash flow statement, but based on the issues raised for accounts receivable regarding the differences between the source documents of transactions for the year and those presented in the financial statements, we conclude that the information on cash flow for operating activities is not true

Moreover, the overstatement of accounts receivable identified in the audit of the financial statements for 2019, in the amount of €76,151, was not adjusted by a retrospective restatement when drafting the financial statements for 2020. In addition, such adjustment was not made for tax liabilities overstated by €34,150 either.

This occurred as a result of material misstatements in the balance sheets of the statement of financial position for trade accounts receivable and trade accounts payable relating to international Posts and differences in tax payables.

Impact

Errors identified in the previous year which were not adjusted by a retrospective restatement and related disclosure, as well as non-reconciliation of balances with international posts within the reporting period, lead to material misstatement of operating activities in the statement of cash flow.

Recommendation B2 The Board of Directors should ensure that the errors identified in the other financial statements, which are reflected in the statement of cash flow, are adjusted prior to the preparation of the statements for the current year so that the comparative figures between the years are true and complete.

Issue B3 – Untrue presentation of the statement of changes in equity

Finding

According to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, paragraph 4.1, material errors sometimes remain undetected until subsequent periods and these errors of previous periods are adjusted in the comparative information presented in the financial statements of subsequent periods.

The Company prepared the statement of changes in equity, but the errors identified in the financial statements for 2019, such as overstatement of rental income, a material error of €378,012, was not corrected with a retrospective restatement and disclosure in the course of preparation of the financial statements for 2020.

In addition, revenues of €65,172 from contracts with customers and depreciation expenses for 2019 were overstated by €25,571. These unadjusted overstatements affect the financial result of 2019 and the item "Retained earnings" in the statement of changes in equity.

This occurred as a result of material misstatements in the statement of income for 2019, which have remained unadjusted and have an impact on the loss/profit carried forward to the statement of changes in equity

Impact Errors identified in the previous year which were corrected only for the current year lead to material misstatement of the value of retained earnings in the statement of changes in equity.

Recommendation B3 The Board of Directors should ensure that errors identified in the statement of changes in equity are adjusted in order to ensure that it gives a true and fair view.

Issue B4 - Failure to provide appropriate explanatory information on a material uncertainty

Finding According to IAS 1 - Presentation of Financial Statements - explanatory notes are an integral part of financial statements. Based to definition therein, these notes to financial statements should present information about the going concern hypothesis - when management is aware, in making the assessment, of material uncertainties related to events or conditions which may cast doubt on the entity's ability to proceed according to the going concern hypothesis explanatory notes should be given for these uncertainties.

Based on the audit evidence obtained, we have concluded that management's disclosures regarding going concern hypothesis do not adequately describe the main events or conditions which may cast significant doubt on the entity's ability to continue as going concern. Identified issues are the following:

- Potential loss of Company's main client and significant market, (in 2020 about 53% of revenues were from this client and the uncollected debt therefrom as of 31.12.2020 was €1,897,000), for which there are material uncertainties that may cast significant doubt on the ability to generate its assets and pay off its liabilities in the normal course of business;

- Significant ongoing operational losses since 2012, where during 2020, the total accumulated loss amounted to €20,815,411.

This occurred due to inaccurate application of IAS 1 requirements when presenting the financial statements and disclosures.

Impact

Inadequate disclosures in the financial statements related to the going concern hypothesis, i.e. failure to adequately describe key events or conditions that may cast significant doubt on the entity's ability to continue as going concern, and the lack of management plans to handle these events or conditions leads to incomplete and misleading information for readers of financial statements.

Recommendation B4 The Board of Directors should ensure that the disclosures contain the basic principles used for the preparation of financial statements and that the information on the composition of the items in the statements is provided as required in the accounting standards.

2.2 Findings on accounting and compliance issues

2.2.1 Long term assets

The net value of long term assets presented in the statement of financial position was €84,093,857. They mainly relate to land, buildings, tools and machinery, computer equipment and software. We tested 70 samples of €78,616,060 as part of detailed substantive testing. In addition, we have performed substantial analytical procedures for the population as a whole in terms of depreciation.

Issue B5 - Undefined ownership of fixed assets

Finding

According to IPSAS International Standards and Conceptual Framework, Par.5 BC5.10, Legal ownership of an asset as an access to potential services or economic benefits of an asset is an indicator of control. However, rights for potential services or the ability to generate economic benefits may exist without legal ownership of the assets through the holding and use of the property.

According to the accounting register, a total of 132 immovable properties were presented. Furthermore, according to the evidence provided by the Company officials, the properties with confirmed legal status on which the enterprise exercises property rights is 27 in total, whilst for the rest of the assets/property, the legal status over the ownership is still undefined.

According to the Posts' legal directorate, property disputes in courts are complex, which take time and the Company cannot influence the dynamics of court processes.

Impact

Lack of ownership with confirmed legal status for most properties in the enterprise creates property uncertainty and increases the risk that the enterprise will not be able to exercise property rights over properties that are potentially its own.

Recommendation B5 The Board of Directors should ensure that all appropriate legal actions are taken in order to clarify the status of properties and that legal disputes related to these properties are resolved.

2.2.2 Short term liabilities

The net value of short-term liabilities presented in the statement of financial position was €4,062,583. Within this item are presented trade and other accounts payable in the amount of €3,880,803 and deferred revenues of €181,780. We tested 16 samples of €3,610,572 as part of substantive testing.

Issue B6 - Differences between amounts in accounting books and creditors confirmations

Finding

Pursuant to Law no.06/L-032 on Accounting, Financial Reporting and Auditing, Article 12, business organisations subject to the legal provisions of this law are required to verify at least once (1) a year the existence and evaluation of assets, liabilities, and capital through the stocktaking of these elements and their supporting evidence through the stocktaking process.

Our testing revealed that there were differences in payables, between amounts in the books and creditors confirmations. These differences are listed as follows:

- Under "tax liabilities" item related to VAT liabilities, the value in the Tax Administration of Kosovo (TAK) was €290,679, whilst in the Company's accounting system was €286,108, a difference of €4,571; and
- Under "payment from sub-account" item in the payment system, the Company recognized the amount of €144,920 as account payable in the books, whilst according to the confirmation letter we received from the intermediary Bank it was €143,687, a difference of €1,233.

Finding This was due to failure to apply the requirements of Law on Accounting, Financial Reporting and Auditing to verify at least once a year the existence and assessment of liabilities.

Impact Failure to carry out periodic reconciliations with creditors have led to untrue presentation of short-term liabilities by understating tax liabilities by €4,571 and overstating liabilities to the payment system (intermediary bank) by €1,233.

Recommendation B6 The Board of Directors should ensure that the necessary actions are taken and the accounting data are reconciled with the creditors before the preparation of the Financial Statements.

2.2.3 Revenues

Revenues generated were in the amount of €11,724,170. They relate to revenues from postal services, payment services, rental income and other revenues. We tested 149 samples of €3,502,130 as part of detailed substantive testing and performed a substantive analytical procedure for rental income as a whole.

Issue C1 - Lack of regulations for revenue management

Finding According to the Statute of the Joint Stock Company "Post of Kosovo" (Article 7) stipulates that the enterprise should issue regulations, which contain provisions for the administration and operation of the company. The regulations are approved, amended or revoked by the Board of Directors, unless these authorizations are reserved for the shareholder.

The company is characterised by a variety of revenues as well as high decentralization of revenue-generating sales points. Despite this, the Company has not yet developed clear and comprehensive revenue management procedures/regulations. During 2019, the Regulation no.01-2725/19 on Contracts and Services Provided to Customers was approved, in which the standard operating procedures are not sufficiently defined, such as control points, periodic reconciliations, manner and form of reporting, etc. This regulation addresses some issues regarding the management of contracts with large customers, while standard operating procedures for other types of revenues have not yet been developed although this issue has been addressed in the previous audit report.

The company has not yet drafted such regulations for all types of revenues characterised by specific procedures although this was a recommendation of the prior year audit report.

Impact Lack of clear revenue management procedures may lead to errors in recognition of revenue, delays in collections of revenues or eventual misuse.

Recommendation C1 The Board of Directors should authorise the drafting of regulations on revenues by defining clear procedures and responsibilities for the management of each type of revenue.

2.2.4 Issues related to expenditures on management of Covid-19 pandemic

Due to the pandemic situation with Covid-19, Posta e Kosovës j.s.c. j.s.c. spent €1,750,000 from the budget allocated by the Government of Kosovo for economic recovery. These funds were intended to cover salaries expenses of €1,484,611 and operating expenses of €265,388. Through this note, we only wish to draw your attention to this disclosure of these expenses.

3 Issues resolved in the course of audit process

We identified some issues and communicated them to the Management, which have been effectively resolved during the current audit. They do not require any further action and are only reported for purposes of documenting the said communication, actions taken, and results thereof. Identified issues are the following:

Issue 1 – Untrue presentation of trade accounts receivable

Finding In regard to receivables from Telecom of Kosovo J.S.C., the Company presented €2,302,904 in the financial statements, whilst in the confirmation letter of Telecom of Kosovo J.S.C., the confirmed account payable was €1,889,442. Accounts receivable were overstated for this difference of €413,462.

Required action The Finance Office should make reconciliations with clients, as well as make corrections to the presented amount of accounts receivable in the financial statements and the register of accounts receivable.

Result Following the communication, corrective actions were taken during the audit.

Issue 2 – Overstatement of deferred revenues

Finding The Company had won litigation against an Economic Operator (EO). Based on the court decision, the EO owes the Company the amount of €81,650. The parties had reached an agreement on debt rescheduling under which the debt would be repaid in instalments.

The Company reflected this event in the books as deferred income/liability in which case the liability is settled for each instalment paid by EO. The remaining amount of debt at the end of the period was €66,300.

Required action The Chief Finance Officer should ensure that corrective actions are taken in relation to the deferred revenue account, i.e. the accounts receivable, so that the deferred revenue and account receivable are presented in the correct amount.

Result Necessary corrections have been made regarding the presentation of deferred revenues or accounts receivable.

Issue 3 – Overstatement of the cost of goods sold (CGS)

Finding The Company has an agreement with Telecom of Kosovo for mobile telephony (Postpaid) for all employees. A share of the mobile telephony expenses is paid by the Company according to the regulation while the rest is deducted from the employees' salaries for the expenses incurred in the mobile telephony.

The company treated the share of mobile telephony expenses (Postpaid) as expenses for official telephones, while the other share as revenues from the salary deduction of employees and recognized the same amount as CGS. Recognition of salary deductions as CGS led to overstatement of CGS in the amount of €87,477.

Required action The Chief Financial Officer should ensure that corrective actions are taken in relation to the cost of goods sold (CGS) account so that the CGS and operating expenses are presented in the correct amount.

Result Following the communication, corrective actions were taken during the audit.

4 Progress in implementing recommendations

Our audit report on 2019 AFS of Posta e Kosovës j.s.c. resulted in 25 key recommendations. Posta e Kosovës j.s.c. prepared an Action Plan stating how all recommendations will be implemented. By the end of our 2020 audit, 18 recommendations have been implemented, 2 were partly implementation, and 5 were not addressed yet, as shown in the following Chart 2. For a more thorough description of the recommendations and how they are addressed, see Table 1 (or Table of recommendations).

Chart 2. Progress in implementing prior year's recommendations

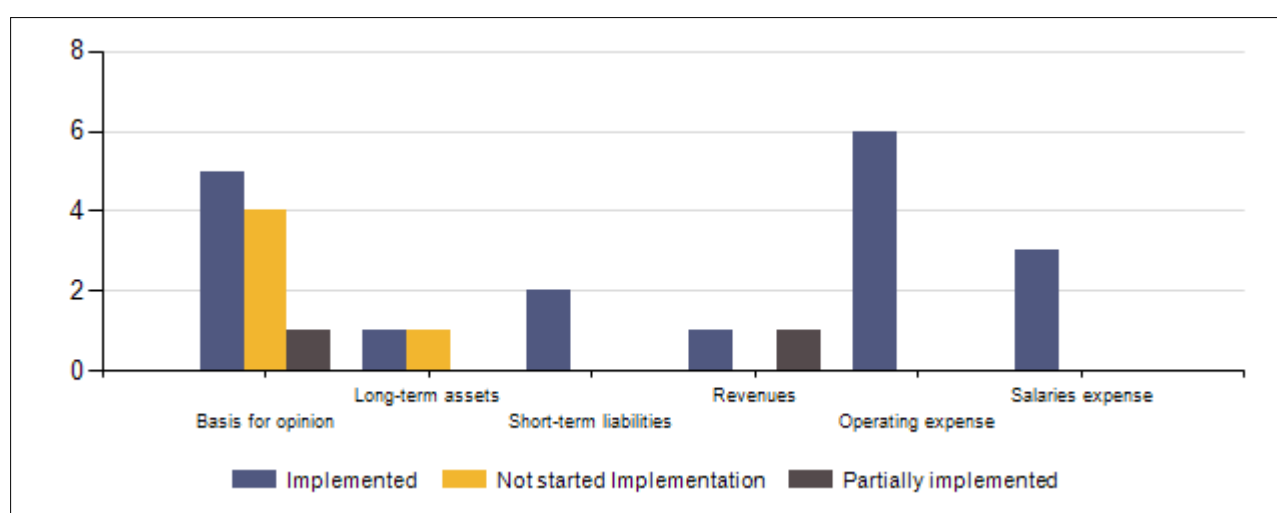


Table 1 Summary of prior year's recommendations and of 2020

No.	Audit Scope	Recommendations for 2019	Actions taken	Status
1	Basis for opinion	The Board of Directors should ensure that corrective actions are taken regarding the necessary changes in the asset register according to the ascertained factual and legal situation and the regular implementation of harmonisations between the reports of the inventory commission, updates of disputes from the legal office with the asset accounting register. Detailed information on illegally occupied properties should be disclosed in the statement of explanatory notes	No action has been taken to remove the illegally occupied properties from the fixed assets register and present them in the disclosures.	Implementation not started
2	Basis for opinion	The Board of Directors should ensure that the explanatory notes contain the basic principles used in preparing the financial statements and information on the composition of the	No action has been taken regarding proper disclosures	Implementation not started

		items of the statements and are provided in accordance with the requirements of accounting standards	when a material uncertainty has been identified.	
3	Basis for opinion	The Board of Directors should ensure a comprehensive review of the asset register and take concrete action to re-evaluate the assets in accordance with the requirements of IAS 16	Necessary actions have been taken for the reevaluation of movable property. Fixed assets are presented at revalued amount including some necessary changes such as adding assets to the register and removing obsolete assets.	Implemented
4	Basis for opinion	The Board of Directors should ensure that corrective action is taken regarding the misstatement of depreciation expenses for 2019, and that a general review of the register is undertaken to ensure accurate recognition of depreciation expenses in accordance with the Company's adopted policies and IASs requirements	Necessary actions have been taken to accurately recognize depreciation costs for 2020.	Implemented
5	Basis for opinion	The Board of Directors should ensure that the recognition of revenues from rental contracts is done without the inclusion of withholding tax in order to avoid overstatement of rental income	Necessary actions have been taken to recognize rental income excluding source withholding tax for 2020.	Implemented
6	Basis for opinion	The Board of Directors should ensure that the revenues from the commissions are recognised only for the part that the Company is expected to collect from the provision of services to customers in order not to overestimate the value of the Company's revenues	Necessary actions have been taken to recognize revenues only for the part of the provision earned for 2020.	Implemented

7	Basis for opinion	The Board of Directors should ensure that accounts receivable are recognised only when the conditions for their recognition according to accounting standards are met, while in cases where the possibility of collection depends on court decisions they should be recognised as contingent assets and explanatory notes should be provided for them. Furthermore, the Board should ensure that adjustments are made to the value of current accounts receivable so that the 2020 AFS present the correct value	Necessary actions have been taken for the accurate recognition of accounts receivable for 2020 excluding contingent assets.	Implemented
8	Basis for opinion	The Board of Directors should ensure that the errors identified in other AFS, which are reflected in the Cash Flow Statement, should be corrected prior to the production of the statements for the current year so that the comparative figures between the years are accurate and complete	No action has been taken on retrospective corrections of errors and re-declaration of the corrected financial statements.	Implementation not started
9	Basis for opinion	The Board of Directors should ensure that the corrections of errors identified in the statement of changes in equity are made to ensure a true and fair view	No action has been taken on retrospective corrections of errors and re-declaration of the corrected financial statements.	Implementation not started
10	Long-terms assets	The Board of Directors should ensure that corrective actions are taken regarding the necessary changes in the asset register according to the ascertained factual situation and through the implementation of periodic harmonisations between the inventory commission reports and evaluation with the asset register	Necessary actions have been taken to harmonize the report of the inventory commission with the fixed assets register.	Implemented
11	Long-terms assets	The Board of Directors should ensure that all appropriate legal actions are taken in order to clarify the status of properties and resolve legal disputes related to these assets	There has been no progress since last year on immovable property definition issues.	Implementation not started
12	Short-term liabilities	The Board of Directors should ensure that corrective actions are taken in	Reconciliation with the	Implemented

		relation to financial reconciliations with business partners and strengthen control to eliminate such cases by minimizing the risk of exposing the Company to court/enforcement processes due to non-compliance with the terms of the contract	business partner was completed in February 2021	
13	Short-term liabilities	The Board of Directors should ensure that the necessary actions are taken so that the accounting data are reconciled with the balance of debts to the Tax Administration for the tax account of salary taxes	Alignment with the status of TAK liabilities for income taxes has been performed.	Implemented
14	Short-term liabilities	The Board of Directors should ensure that the necessary actions are taken and the accounting data are reconciled with the creditors before the preparation of the Financial Statements.	Necessary actions have been partially taken to reconcile the balance of liabilities to the tax administration and the intermediary bank.	Partly implemented
15	Revenues	The Board of Directors should ensure that the funds subsidised by MED are spent and presented in accordance with the defined destination. The Board should also ensure that feedback reports are prepared in a timely manner regarding the manner of spending the funds as required by the shareholder decision	Subsidies during 2020 were spent in accordance with their destination.	Implemented
16	Revenues	The Board of Directors should authorise the drafting of regulations in the field of revenues by defining clear procedures and responsibilities for the management of each type of revenue	The Company has established a commission to draft revenue management regulations. The commission is still in the process of drafting these regulations.	Partly implemented
17	Operating expenses	The Board of Directors should ensure that the procurement directorate and the requesting units are coordinated during the drafting of the "Final Annual Procurement Plan", enabling	Necessary actions have been taken regarding the drafting of a	Implemented

		the preparation of a detailed planning and eliminating any need for procurement outside the plan. The BoD should also ensure that the final procurement plan is published on the official website of the Company, promoting in this form transparency for the development of company activities	more detailed procurement plan and its publication on the KCFR and the Company's website.	
18	Operating expenses	The Board of Directors should ensure that the Procurement Directorate takes the necessary measures when signing contracts that the Bank Financial Identification document completed by Economic Operators with their bank account records is attached to the contract, providing in this form that transfers of payments for services received are made to authorised bank accounts	In the tested procurement procedures, all required activities had the bank identification attached to the file.	Implemented
19	Operating expenses	The Board of Directors should ensure that the tender evaluation commissions comply with the requirements set out in the contract notice and tender dossier, as well as the legal procurement requirements, ensuring that the tender security documentation submitted by the winning economic operator is in compliance with his business records, thus avoiding rewarding the ineligible operator	In the procedures tested for 2020, no reward was found for the irresponsible operator	Implemented
20	Operating expenses	The Board of Directors should ensure that all invoices received from suppliers are received through the protocol office before being submitted to accounting for registration	During the expenditures testing, we did not encounter any cases of unrecorded invoices.	Implemented
21	Operating expenses	The Board of Directors should ensure that the Responsible Procurement Officer exercises effective oversight over the evaluation commissions in order to avoid cases of delays in the evaluation of tenders	In the tested procurement procedures, we did not encounter delays in starting the tender evaluation process.	Implemented

22	Operating expenses	The Board of Directors should ensure that there is a proper segregation of duties and responsibilities, and take adequate action for the appointment of the Authorising Officer, to enable the strengthening of internal controls and to comply with legal provisions of public procurement	The authorizing officer has been appointed. Decision no.01-1414/20 dated 14.08.2020	Implemented
23	Salaries expenses	The Board of Directors should ensure that salaries are paid for the hours worked and that regular attendance is constantly monitored as well as the necessary actions are taken in cases of non-compliance with the rules as provided by sub-legal acts	Necessary actions have been taken for comprehensive monitoring to identify the employees' attendance at work.	Implemented
24	Salaries expenses	The Board of Directors should ensure that evaluation commissions perform their duties with full competence and professionalism when analysing applications and evidence in the recruitment process. Furthermore, the BoD should ensure that staff meeting the criteria set out in the competition and internal regulations is recruited, and in cases where qualified candidates are absent, the competition should be cancelled	During the year there were no recruitments from abroad but in the samples tested for internal competitions, we did not encounter any irregularities.	Implemented
25	Salaries expenses	The Board of Directors should ensure that employees are paid the same salaries for the same positions in accordance with the grade level according to the regional scheme	It has been implemented. All regional managers are paid according to the regional operating scheme	Implemented
No.	Audit Scope	Recommendations for 2020		
1	Basis for opinion	The Board of Directors should ensure the accounting and financial reporting standards are fully implemented during preparation of the financial statements, by setting a uniform cut-off date and giving explanatory notes to transactions that could not be recorded in the year concerned		

2	Basis for opinion	
3	Basis for opinion	The Board of Directors should ensure that errors identified in the statement of changes in equity are adjusted in order to ensure that it gives a true and fair view
4	Basis for opinion	The Board of Directors should ensure that the disclosures contain the basic principles used for the preparation of financial statements and that the information on the composition of the items in the statements is provided as required in the accounting standards
5	Basis for opinion	The Board of Directors should ensure that corrective actions are taken regarding the necessary changes in the asset register according to the ascertained factual and legal situation. Moreover, it should ensure implementation of periodic reconciliations between the inventory commission reports and updates on disputes from the legal office with the register of assets accounted for. Detailed information regarding the illegally occupied properties should be disclosed in the explanatory notes as well
6	Basis for opinion	The Board of Directors should ensure that the necessary actions are taken and the accounting data are reconciled with the creditors before the preparation of the Financial Statements.
7	Long-term assets	The Board of Directors should ensure that all appropriate legal actions are taken in order to clarify the status of properties and that legal disputes related to these properties are resolved
8	Revenues	The Board of Directors should authorise the drafting of regulations on revenues by defining clear procedures and responsibilities for the management of each type of revenue

*) This report is a translation from the Albanian original version. In case of discrepancies, Albanian version shall prevail.

Besnik Osmani, Auditor General



Arvita Zyferi, Assistant Auditor General



Fitim Haliti, Head of Audit



Naim Neziri, Team leader



Alban Shatri, Team member



Arta Birinxhiku, Team member



REPUBLIKA E KOSOVËS-REPUBLIKA KOSOVA-REPUBLIC OF KOSOVO ZYRA KOMBËTARE E AUDITIMIT NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE			
DATE PRANUAR / DATE RECEIVED: 06.06.2021			
Njësia Org. Org. Jedin. Org. Unit:	Shif. Klasif. Klasif. Kod. Class. Code:	Nr. Prot. Br. Prot. Prot. No.	Nr. i faqeve Br. Stranica No. Pages
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PK. SH.A.
 Posta e Kosovës SH.A.
 Post of Kosovo J.S.C.
 Pošta Kosova D.O.
 Nr./No./Br. 01-1404/21
 Data/Date/Datum 08-06-2021
 PRISTINE-PRISTINA-PRISTINA

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për vitin 2020 dhe për zbatimin e rekomandimeve

Për: Zyrën e Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës së Auditorit të Përgjithshëm për auditimin e Pasqyrave Financiare të Ndërmarrjes Posta e Kosovës sh.a, për vitin 2020 (në tekstin e mëtejme "Raporti");
- pajtohem me të gjeturat dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për zbatimin e tyre.

Znj. Safije Beseni

Kryesuesi i Bordit të Drejtoreve,

Data: 08. qershor 2021, Prishtinë,



PK. sh.a.
Posta e Kosovës SH.A.
Post of Kosovo J.S.C.
Pošta Kosova D.O.
Nr./No./Br. 02-1443/21
Data/Date/Datum 11-06-2021
PRISTINE-PRISTINA-PRISTINA



Posta e Kosovës - Sh.A
Post of Kosovo - J.S.C.
Pošta Kosova - D.O.

POST OF KOSOVO JSC
Pristina, Kosovo

Financial statements

For the period ended on December 31, 2020.

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POST OF KOSOVO JSC

FINANCIAL POSITION STATEMENT

On December 31, 2020.

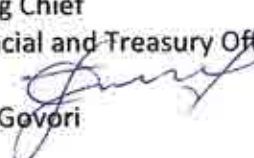
All amounts in Euro

	Notes	31 December 2020	31 December 2019
Assets			
Non-current Assets			
Property, equipment and plants	8	7,534,449	9,010,365
Revalued properties and buildings		75,786,045	
Intangible assets	9	432,645	582,318
Continuing investment	10	340,718	340,718
		84,093,857	9,933,401
Current assets			
Inventory	11	269,978	245,084
Accounts receivable and other	12	3,054,900	2,439,627
Prepayments	14	5,349	296,733
Cash and cash equivalents	13	1,759,685	1,354,006
		5,089,911	4,335,450
Total assets		89,183,768	14,268,851
Equity and liabilities			
Equity			
Share capital		525,000	525,000
Revaluation reserves		75,786,045	
Retained earnings		(20,990,426)	(19,958,340)
Share premium		29,800,565	29,800,565
Total Equity		85,121,185	10,367,225
Long-term liabilities			
Long-term loans			-
Short-term liabilities			
Accounts payable and other	15	3,880,803	3,630,446
Deferred revenue	16	181,780	271,180
Total liabilities		4,062,583	3,901,626
Total equity and liabilities		89,183,768	14,268,851

These financial statements as a draft have been approved by the Provisional Board of Directors of Post of Kosovo.

Acting Chief Executive Officer

 Rafet Jashari
 11.04.2021

Acting Chief
 Financial and Treasury Officer

 Enver Govori

Accounting and
 Finance Manager

 Blerim Krasniqi

The accompanying notes 1-25 in the financial statements are an integral part of these financial statements.

COMPREHENSIVE INCOME STATEMENT

For the period ended on December 31, 2020.

All amounts in Euro

		31 December 2020	31 December 2019
	<i>Notes</i>		
Revenues from sales	17	9,974,170	11,414,699
Cost of goods sold	18	(277,486)	(867,639)
Gross profit		9,696,684	10,547,060
<i>Operating expenses</i>			
Other operating costs	19	(1,829,409)	(1,385,534)
Staff costs	20	(8,894,719)	(9,120,891)
Depreciation and amortization	8	(1,700,072)	(1,751,950)
Operating profit		(2,727,517)	(1,711,314)
Financial income-subsidy	17.1	1,750,000	720,000
Financial cost			
Profit / (loss) from foreign exchange		(178)	1,008
Tax expense			-
Profit / Loss of the year		(977,695)	(990,306)

The accompanying notes 1-25 in the financial statements are an integral part of these financial statements.

POST OF KOSOVO JSC

STATEMENT OF CHANGES IN EQUITY

For the period ended on December 31, 2020.

All amounts in Euro

	Share Capital	Retained earnings	Share premium	Revalued reserves	Total
On December 31, 2018	525,000	(18,968,033)	29,800,565		11,357,532
Profit / Loss of the year		(990,306)			(990,306)
Adjustments to retained earnings					
Dividends paid					-
On December 31, 2019	525,000	(19,958,340)	29,800,565		10,367,225
Adjustments to retained earnings		(54,391)			(54,391)
Profit / Loss of the year		(977,695)			(977,695)
Corrections in retained earnings					
Revaluation reserves		75,786,045			75,786,045
Dividends paid					-
On December 31, 2020	525,000	(54,795,619)	29,800,565		85,121,185

The accompanying notes 1-25 in the financial statements are an integral part of these financial statements.

CASH FLOW STATEMENT

For the period ended on December 31, 2020.

All amounts in Euro

	31 December 2020	31 December 2019
Operating activities		
Profit before tax	(977,695)	(990,306)
<i>Corrected for:</i>		
Corrections from previous years	(40,540.00)	(240,431)
Provision for accounts receivable	-	-
Depreciation and amortization	1,700,072	1,751,950
Other Revenues / (Expenditures)	-	-
Operating profit before the change in working capital	681,837	521,213
<i>Changes in working capital</i>		
Inventory	(24,894)	(51,625)
Accounts receivable and other	(323,889)	(849,297)
Accounts payable and other	160,957	475,629
	(187,826)	(425,293)
Interest paid	-	-
Tax paid	-	-
Cash generated (used) in operating activities	494,011	95,920
Investment activities		
Purchases / Removals of non-performing assets	(95,782)	212,511
Cash used in investment activities	(95,782)	212,511
Financing activities		
Dividend paid	-	-
Net income from donation	7,450.00	-
Cash generated from financing activities	7,450.00	-
Net change in cash and cash equivalents	405,679	308,431
Cash and cash equivalents at the beginning of the year	1,354,006	1,045,575
Cash and cash equivalents at the end of the year	1,759,685	1,354,006

The accompanying notes 1-25 in the financial statements are an integral part of these financial statements.

1. Company and activities

"Post of Kosovo" JSC ("Company") is a joint stock company established (incorporated) on December 21st, 2011, by the decision of the Government of Kosovo No. 16/53 for the division of the business unit "Post of Kosovo" from "Post and Telecom of Kosovo" JSC (PTK) in a separate entity. The new company for postal services, which is owned by the Government of the Republic of Kosovo, was registered at the Ministry of Trade and Industry - Business Registration Agency in Kosovo, with a business registration number 70847701 on May 7, 2012, with the name "Post of Kosovo" JSC. The total registered capital, based on the business registration certificate at the Business Registration Agency, amounts to 525 thousand Euros and the share premium of 30,000,000.00 Euros. "Post of Kosovo" JSC has a fiscal no. 600815924. Its registered address and the main place of business is: "Post of Kosovo" JSC, Dardania - Prishtina. The main owner of the company is the Government of Kosovo.

The main activities of the Company,

6411 - Provision of postal services,

6511 - Other monetary intermediation,

7220 - Consulting and provision of software equipment (software),

7260 - Other activities related to computing machines (informatics),

7420 - Architecture and engineering activity and related counseling,

7484 - Other business activities p.c.,

7511 - General public service activities,

9305 - Other service activities p.c.,

6713 - Financial ancillary service activities, p.c.

6523 - Other financial intermediations, p.c..

On December 31, 2019, the Company had a total of 966 employees (2019: 1,012 employees).

2. The basis for the preparation of financial statements

Financial statements are prepared in accordance with International Accounting Standards (IAS) under the historical cost convention.

The preparation of financial statements in accordance with the IAS requires the use of certain critical accounting estimates. It also requires that the management exercises its judgment in the Company's accounting policy implementation process. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are important to financial statements are disclosed in Note 5.

The main accounting policies implemented in the preparation of these financial statements are presented below. These policies have been consistently implemented in all periods presented, unless otherwise stated (see Note 6 & 7 on the new and amended standards adopted by the Company).

3. Foreign currency translation

The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and the presentation currency is Euro ("EUR"), which is the legal currency in the Republic of Kosovo.

In accordance with the regulations of the European Monetary Union and the guidelines issued by the Central Bank of Kosovo (CBK), EUR was adopted as the only legal currency in the territory of Kosovo as of 1 January 2002.

4. Summary of important accounting policies

Property, plants, and equipment: Property and equipment are presented at a cost minus the accumulated depreciation and minus losses from asset damage, if any. The cost includes all the costs attributed directly to the purchase of items. Subsequent costs are included in the accounting value of the asset or recognized as a separate asset, only when future economic benefits related to the item flow to the Company and the cost of the item is measured reliably. All other repairs and maintenance are recognized as profit or loss when they occur. When parts of a property and equipment have different useful lifespan, they are counted as separate items (main components) of the property and equipment.

Asset Losses or Damage: At the end of each reporting date, the management assesses whether there are any indications of damage to property, plants and equipment. If any such indicator exists, the management assesses the recoverable amount, which is defined as the highest value of an asset with fair value minus the costs for sale and its value in use. The accounting value is reduced to the recoverable amount and the loss from depreciation (damage) is recognized as profit or loss for the year. A loss from depreciation (damage) is recognized as an asset in prior years is reversed when appropriate if there has been a change in the estimates used to determine the value of the asset in use or its fair value minus decommissioning costs.

Depreciation: The land is not depreciated. Depreciation of other items of property, plant and equipment is calculated by using the linear method to allocate their cost for their residual values during their estimated lifespan:

	Useful lifespan over the years
Buildings	20 years
Furniture and office Equipment	5 years
Vehicles	5 years
Other embodied assets	5 years

The residual value of an asset is the estimated value that the Company currently benefits from the disposal of the asset minus the estimated costs for decommissioning if the asset is already aged and at the end of its useful lifespan. The residual values of assets and their lifespan are reviewed, and corrected if appropriate, at the end of each reporting period.

Profits and losses from sales are determined by comparing sales revenues with net book value and are recognized as net within other operating income / expenses in profit or loss.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flow from the financial assets expire, or when the financial assets and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, canceled, or expires.

Classification and initial measurement of financial assets

Except for those commercial receivables that do not contain a significant component of financing and are measured by the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value corrected for transaction costs (when applicable).

Financial assets, in addition to those defined and effective as protective instruments, are classified into the following categories:

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

In the periods presented, the company has no financial assets categorized as FVOCI.

Classification and initial measurement of financial assets (continuation)

The classification is determined jointly by:

- entity's business model of financial asset management, and
- contractual characteristics of the cash flow of financial assets.

All income and expenses related to financial assets recognized as profit or loss are presented within the costs of financing, income from financing or other financial items, except of the damaged commercial receivable accounts, which are presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortized cost.

Financial assets are measured at amortized cost if assets meet the following conditions (and are not defined as FVTPL):

- they are held within a business model, the purpose of which is to maintain financial assets and to collect contractual cash flows.
- contractual terms of financial assets cause cash flows that are only principal and interest payments on the remaining principal amount.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is avoided when the discounting effect is immaterial. Cash and cash equivalents of the company, receivable accounts and most other receivables fall into this category of financial instruments, as well as bonds listed previously, classified as held until maturity under IAS 39.

Financial assets with fair value through profit or loss (FVTPL)

Financial assets held within a different business model in addition to "holding to collect" or "holding to collect and sell", are categorized at fair value through profit and loss. Moreover, regardless of the financial assets of the business model, the contractual cash flows which are not only principal and interest payments are calculated in FVTPL. All derivative financial instruments fall into this category,

except for those defined and effective as protective instruments, for which protective accounting requirements apply.

Financial assets of fair value through other comprehensive income (FVOCI)

The company handles financial assets in FVOCI if the assets meet the following conditions:

- they are held under a business model, the objective of which is to "hold to collect" and sell the respective cash flows,
- contractual terms of financial assets cause cash flows that are only principal and interest payments on the remaining principal amount.

Any gain or loss recognized in other comprehensive income (OCI) will be recycled after deregistration of the asset.

Damage to financial assets

The requirements of IFRS 9 for impairment use more future information to recognize expected credit losses - the "expected credit loss (ECL)" model. This replaced the "incurred loss model" of IAS 39. Instruments within the scope of the new claims include loans and other financial assets of the type of debt measured at amortized cost and FVOCI, trade receivables, recognized and measured contract assets, under IFRS 15 and loan commitments and certain financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses no longer depends on the company to first identify a credit loss event. Rather, the company considers a wider range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and sound forecasts that affect the expected collection of future credit flows of cash instruments.

Damage to financial assets (continued)

In implementing this approach that looks ahead, a distinction is made between:

- financial instruments that have not significantly deteriorated in credit quality since initial recognition, or that have low credit risk ('Phase 1'), and
- financial instruments that have deteriorated significantly in the quality of credit since the initial recognition and the credit risk of which is not low ('Phase 2').

"Phase 3" will cover financial assets that have objective evidence of damage on the reporting date. "Expected 12 months of credit loss" are recognized for the first category, while "expected credit losses over life" are recognized for the second category.

The measurement of expected credit losses is determined by a weighted possible estimate of credit losses during the expected life of the financial instrument.

Receivables and contracted assets

The company uses a simplified approach to accounts receivable, as well as contract assets and records the loss as expected credit losses. These are the expected shortcomings in the contractual cash flows, considering the potential of non-payment at any time during the life of the financial instrument. In the calculation, the company uses its historical experience, external indicators, and future information to calculate expected credit losses using a provision matrix.

The company assesses the damage of commercial receivables on a collective basis as they possess common credit risk characteristics for which they are grouped based on past days.

Classification and measurement of financial liabilities

The company's financial liabilities include loans, commercial and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, when appropriate, are adjusted for transaction costs, unless the company set a fair financial liability through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method, except for derivatives and financial liabilities set out in the FVTPL, which are then transferred at fair value with recognized gains or losses in profit or loss (other than derivative financial instruments defined and effective as protective instruments).

All interest-related fees and, if applicable, changes in the fair value of an instrument reported on profit or loss are included in financial costs or financial income.

Compensation of financial instruments. Assets and financial liabilities are compensated among themselves, and the net amount is reported in the statement of financial position only when there is a mandatory legal right to compensation of known amounts and has a purpose to be repaid on a net basis or to realize the asset and resolve the obligation at the same time. This right to compensation (a) must not be conditioned by a future contingent event and (b) must be legally applicable in all of the following circumstances: (i) in the normal course of business, (ii) in case of failure and (iii) in case of bankruptcy.

Cash and its equivalents. Cash and its equivalents include cash, deposits held with banks and other very liquid short-term investments with an original maturity of three months or less. Cash and its equivalents are carried at amortized cost because: (i) are held to collect the flows of contractual cash and those cash flows represent the SPPI and (ii) they are not specified in FVTPL. Characteristics mandated only by legislation, such as conditional release legislation in certain countries, do not affect the SPPI test, unless they are included in contractual terms so that the function applies even if the legislation is later amended.

Trade receivables, and other. Trade and other receivables are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

Prepayments. Prepayments are made at a cost minus the provision for depreciation. A prepayment is classified as long-term when goods or services related to prepayment are expected to be received after one year or when the prepayment is linked to an asset that will itself be classified as non-circulating after initial recognition. Asset advance payments are transferred to the net asset accounting value once the Company has taken control of the asset and it is possible that future asset-related economic benefits will flow to the Company. Other advance payments are repaid in profit or loss when goods or services related to prepayments are received. If there is an indication that the assets, goods, or services related to the prepayment will not be accepted, the carrying amount of the prepayment is recorded accordingly and a corresponding depreciation loss is recognized as a gain or loss for the year.

Tradable and other payables. Paid trading accounts are accrued when the other party performs its obligations under the contract and is initially recognized at fair value and then held at amortized cost using the effective interest method.

Borrowings. Borrowings are initially recognized at fair, net value from transaction costs incurred and then held at AC using the effective interest method.

Financial guarantees. Financial guarantees require the Company to make certain payments to reimburse the warranty holder for a loss it causes because a specified debtor fails to make the payment in a timely manner in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognized for their fair value, which is normally evidenced by the

amount of fees received. This amount is amortized based on the straight line during the warranty life. At the end of each reporting period, the guarantees are measured higher than (i) the amount of loss for the guaranteed exposure based on the expected loss model and (ii) the remaining unamortized balance of the amount in the initial recognition. In addition, an ECL loss deduction is recognized for the eligible fees recognized in the statement of financial position as an asset.

Dividends. Dividends are recorded as passive and deducted from capital in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorized to be issued are disclosed in the records of subsequent events. The Company's statutory accounting reports are the basis for the distribution of profits and other divisions. Kosovo legislation identifies the distribution base as a net profit for the current year.

Provisions for liabilities and liabilities. Provisions for liabilities and liabilities are non-financial liabilities with time or uncertain amounts. They are calculated when the Company has a current or constructive liability because of past events, it is possible that an outflow of resources involving economic benefits will be required to repay the liability and a reliable estimate of the amount of the liability can be made. Reserves are measured by the current value of expenditures that are expected to be required to repay the liability using a pre-tax rate that reflects current market estimates of the time value of cash and the specific risks of the liability. The increase in provision due to the passage of time is known as an interest expense.

Revenues from contracts with customers. Revenues are measured based on the consideration specified in the contract with the customer and exclude amounts collected on behalf of third parties. The company recognizes revenue when it transfers control over the product or service to the customer. Revenues are mainly from the provision of public postal services.

In determining whether an entry is recognized, the Company follows the 5-step process:

1. Identify the contract with the customer.
2. Identification of performance obligation.
3. Determining the transaction price.
4. Allocation of transaction price in performance obligations.
5. Recognition of revenue when performance obligation is met.

Revenues are recognized either at a point in time or over time, when the company fulfills performance obligations by transferring promised goods or services to customers.

Sale of goods

Revenues from the sale of goods are recognized at a time when the consumer obtains control over the goods, which is generally at the time of delivery.

Provision of services

Revenues from a contract for the provision of services are recognized during the time when the service is performed based on either fixed price or hourly rate.

Other income

Other income is recognized when received or when the right to accept payment is determined.

Employee benefits

Mandatory social security contributions: The Company only contributes to the publicly managed pension plan, Kosovo Pension Savings Trust (KPST), as required by law. The company has no further

payment obligations after the contributions have been paid. Contributions are known as expenses for employee benefits when they are due. The company has no further obligations to its employees beyond these contributions.

Benefits of retirement: The company does not provide and has no obligations for employees' pensions and over the contributions described in this note.

Income tax

Current income tax is calculated on the basis of applicable income tax rules in Kosovo, using the tax rates approved on the reporting date. In force from January 1, 2010 the corporate income tax rate is 10% in accordance with the tax regulations of Kosovo that are currently in force, Law no. 05 / L-029 "On Corporate Income Tax".

Profit or loss income tax rate for the year consists of current tax and changes in deferred tax. The current tax is calculated on the basis of the expected taxable profit for the year using the applicable tax rates on the balance sheet date. Taxable profit differs from profit reported in profit or loss because it excludes items of income or expenses that are taxable or deductible in other years and in addition excludes items that are never taxable or deductible. Taxes in addition to income tax are recorded within operating expenses.

Deferred income tax is calculated using the method of balance sheet liabilities for all temporary differences arising between the tax base of assets and liabilities and their book value for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary taxable differences. Deferred tax assets are recognized for all temporary deductible differences, transfer of unused tax assets and unused tax losses, to the extent possible that the taxable profit will be available against which the temporary deductible differences, and unused tax losses can be used. The accounting value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer possible for sufficient taxable profit to be available to allow the use of all or part of the deferred tax asset.

Deferred tax assets and liabilities are measured by tax rates that are expected to be applied in the period when the asset is realized or the liability has been repaid, based on tax rates (and tax laws) that have been approved or are substantial on the reporting date.

Deferred tax assets and liabilities are compensated when there is a mandatory legal right to offset current tax assets versus current tax liabilities and when there is an intention to repay the situation on a net basis.

Income tax (continued)

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be mandatory. The company believes its excise duties on tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and previous experience. This assessment is based on estimates and assumptions and may include a series of judgments on future events. New information may become available that causes the company to change its judgment regarding the suitability of existing tax liabilities; such changes in tax liabilities will affect tax expenditures in the period when such a determination has been made.

Value Added Tax ("VAT")

Tatimi mbi vlerën e shtuar të produktit që lidhet me shitjet paguhet tek autoritetet tatimore më herët (a) mbledhjen e të arkëtueshmeve nga konsumatorët ose (b) dërgimin e mallrave ose shërbimeve ndaj klientëve. TVSH-ja e inputeve në përgjithësi mund të rikthehet kundrejt TVSH-së së outputeve pas marrjes së faturës së TVSH-së. Autoritetet tatimore lejojnë shlyerjen e TVSH-së në baza neto. TVSH-ja e lidhur me shitjet dhe blerjet njihet në pasqyrën e pozicionit financiar në baza bruto dhe shpaloset veçmas si një aktiv dhe pasiv. Kur janë bërë provizionet për zhvlerësimin e të arkëtueshmeve, humbja nga zhvlerësimi regjistrohet për shumën bruto të debitorit, duke përfshirë TVSH-në.

5. Critical accounting assessments and judgments in the implementation of accounting policies

The company makes assessments and assumptions that affect the amounts recognized in the financial statements and accounting values of assets and liabilities within the next financial year.

Assessments and judgments are consistently evaluated and based on management experience and other factors, including expectations of future events believed to be reasonable in the circumstances. The Management also makes certain judgments, in addition to those involving assessments, in the process of implementing accounting policies. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that may cause a significant adjustment in the book value of assets and liabilities within the next financial year include:

Lifespan of assets: Determining the lifespan of assets is based on historical experience with similar assets, as well as any projected technological development and changes of broad economic or industry factors. The appropriateness of the estimated lifespan is reviewed each year, or whenever there is an indication of significant changes in the underlying assumptions. Moreover, due to the considerable weight of depreciable assets in our total assets, the impact of any change on these assumptions may be material for our financial position and the results of operations.

Depreciation of accounts receivable and other receivables: The Company calculates depreciation for doubtful accounts based on estimated losses as a result of our customers' inability to make the required payments. According to the company's policies, the following factors are taken into account when assessing the impairment of receivables: frequent late payments, high-risk customers and customers with financial difficulties, with the exception of wholesalers and affiliated partners. These factors are reviewed periodically and changes are made to the calculations when necessary. Estimates include assumptions about the behavior of prospective customers and future cash gatherings in the future. If the financial situation of our customers deteriorates, the current depreciation of existing receivables may be higher than expected and may exceed the level of losses from the depreciation recognized so far.

Critical accounting assessments and judgments in the implementation of accounting policies (continued)

COVID-19: The rapid development of the Covid-19 virus and its social and economic impact in Kosovo and globally may result in assumptions and assessments that will require revisions that need material adjustment of the carrying value of assets and liabilities within the next financial year. In particular,

the management expects that the assumptions and assessments used in determining unspecified assets, property and equipment, property rights, accounts receivable and other receivables, borrowings, accounts payable and other payables and their carrying value may need a correction. However, at this stage the management is not able to reliably assess the impact as events are occurring day by day. Long-term impact can also have an impact on income, cash flows and profitability. However, on the date of these financial statements, the company continues to meet its obligations and therefore continues to apply the basis for the preparation of financial statements according to the principle of continuity.

6. Adoption of New or Revised Standards and Interpretations

Adoption of IFRS 16 "Leasing" and adoption of IFRS 16 "Leases" and IFRIC 4 Determining whether a contract contains leasing. The company has adopted IFRS 16 and IFRIC 4 from 1 January 2019. IFRS 16 provides the accounting model for the lessee, requiring recognition of assets and liabilities for all leases, along with the option to exclude leases with an equal term or shorter than 12 months, or when the property under leasing is of low value. IFRS 16 is substantially similar to IAS 17 in terms of lessor, maintaining the distinction between operating and financial leasing. The company has no significant activities as a lessor.

Transition method and the practical way used.

The company has chosen to implement the practical way of not re-evaluating whether a contract is or contains leasing on the date of application of the standard. Contracts made prior to the date of transition, which were not identified as leases under IAS 17 and IFRIC 4, have not been re-evaluated. The leasing definition according to IFRS 16 has been applied only for contracts that have entered into force on or after January 1, 2019.

The company has implemented some practical ways allowed under IFRS 16 for leases that were previously classified as operating leases under IAS 17:

- (a) Implementing a single discount rate for leasing portfolios that reasonably have similar characteristics,
- (b) The exclusion of direct costs from the measurement of property with the right of use on the date of initial application for leases where the property with the right of use is determined as IFRS 16 has been applied since the date of commencement,
- (c) Reliance on prior assessments if a leasing is difficult to prepare against a revision for damage under IAS 36 on the date of initial implementation, and
- (d) Implementation of the exemption for not recognizing assets and liabilities with the right of use for leases with a term remaining shorter than 12 months on the date of initial implementation.

As a lessee, the company has previously classified leases as operational or financial based on an assessment of whether the lease has significantly transferred ownership risks and benefits. According to IFRS 16, the Company recognizes the assets and obligations of the right of use for most leases. However, the company has chosen not to recognize the assets and liabilities with the right of use for some leases for low value assets based on the value of the respective new property or for short-term leases with a contract period of 12 months or less.

7. New standards, interpretations and changes that are not yet effective.

There are some standards, changes to standards that have been published by IASB that are effective for future accounting periods, which the company has decided not to adopt earlier.

The most significant are as follows, all of which are effective for the period starting January 1, 2020:

- SNK 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Assessments and Errors (Amendment - Defining Materiality)
- IFRS 3 Business Combinations (Amendment - Business Definition)
- Conceptual Framework for Revised Financial Reporting.

8. Property, equipment, and plants

	Land	Buildings	Equipment & Machines	Total
Costs:				
On 31 December 2018	196,800	26,576,925	5,653,816	32,427,541
Additions/Removals			(212,511)	(212,511)
On 31 December 2019	196,800	26,576,925	5,441,305	32,215,031
Additions/Removals		(40,450)		(40,450)
Asset revaluation	10,331,700	65,454,345		75,786,045
On 31 December 2020	10,528,500	91,990,820	5,441,305	107,960,626
Accumulated depreciation:				
On 31 December 2018		(16,968,419)	(4,984,085)	(21,952,504)
Depreciation of the year		(1,281,026)	(211,567)	(1,492,593)
Adjustment in A.D.			240,431	240,431
On 31 December 2019		(18,249,445)	(4,955,220)	(23,204,665)
Depreciation of the year		(1,149,881)	(168,935)	(1,318,816)
Adjustment in A.D.		(116,650)		(116,650)
On 31 December 2020		(19,515,975)	(5,124,155)	(24,640,131)
Net value in books:				
On 31 December 2018	196,800	9,608,506	669,732	10,475,038
On 31 December 2019	196,800	26,576,925	486,085	27,259,810
On 31 December 2020	10,528,500	72,474,845	317,150	83,320,495

Long-term material assets (property, plant, and equipment) whose fair value is measured by reliability is carried by the revalued amount, which is the fair value of the items at the revaluation date. Post of Kosovo has engaged the company licensed for revaluation and based on the report of this company the date of entry into force of the revaluation is 31.12.2020. The basis for recording assets after revaluation is made in accordance with IAS 16 paragraph 31 (revaluation method). Lifespan of assets as a basis for impairment has not changed in relation to the useful life of assets before valuation. The valuation report has determined only the fair value of assets as of December 31, 2020.

Post of Kosovo JSC real estate revaluation was also carried out in accordance with European Assessment Standards (EVS 2016). Market value is the estimated quantity for which an asset will be

exchanged on the valuation date, between the buyer and the willing seller, in a proper transaction where each party has acted conscientiously, prudently and without obligation. Three methods were used, depending on the type of property assessed:

Sales comparison method

Lease capitalization method, and

Substitute cost approach method

The carrying amount of these assets increased by EUR 75,786,045 because of this revaluation, hence the increase is credited directly to capitals entitled Reserves from revaluation of assets.

9. Intangible assets

	Software & Billing System
Costs:	
On 31 December 2017	699,020
Additions/Removals	709,216
On 31 December 2018	1,408,236
Additions/Removals	139,620
On 31 December 2019	1,547,855
Additions/Removals	114,933
On 31 December 2020	1,662,788
Accumulated depreciation:	
On 31 December 2017	(385,774)
Depreciation of the year	(320,406)
On 31 December 2018	(706,180)
Depreciation of the year	(259,357)
On 31 December 2019	(965,537)
Depreciation of the year	(264,606)
On 31 December 2020	(1,230,143)
Net value in books:	
On 31 December 2018	702,056
On 31 December 2019	582,318
On 31 December 2020	432,645

In intangible assets IAS 16 has been applied and according to point 60, respectively 62, the Company has chosen the linear method that better reflects the expected consumption feature of future economic benefits embodied in the asset. This method is applied consistently from period to period, except when there is a change in the expected consumption feature of these future economic benefits.

10. Ongoing investments

	2020	2019
On 31 December		
Investment advances	25,625	25,625
Ongoing investment	315,092	315,092
Total	340,718	340,718

The following investments represent capital investments which are Boutique Posts that are in litigation. While Investment Advances represent the value given as advances for capital investments which are in process.

11. Inventory

On 31 December	2020	2019
Work tools	6,205	6,205
Consumables	96,777	74,584
Information technology and other	13,297	4,134
Postal stamps	80,627	71,872
Value Forms	18,091	20,060
Electronic inventory	54,982	68,230
Total	269,978	245,084

The company has treated the inventory according to IAS 2, keeps the inventory at cost, so the cost includes all purchase costs, transformation costs and other costs incurred for bringing inventories to the location and current condition.

12. Accounts receivable and other

On 31 December	2020	2019
Domestic mail	291,361	161,451
International mail	675,340	637,004
Local buyers	311,853	357,105
Demand- payment system	83,427	68,294
Rental and other services	1,603,709	1,105,644
Postal and other services	1,016	77,310
Buyers of fixed assets	-	4,394
Accrual Requests	14,804	20,042
Other Requests	-	3,146
Deferred tax assets	-	5,237
Total	3,054,900	2,439,627

Domestic mail adjustments:

Domestic mail	365,119	326,399
Provisions for bad debts	(70,342)	(85,124)
Other Provisions (Looting, Deficiencies)	(3,416)	(79,825)
	291,361	161,451

International mail adjustments:

International mail	899,835	885,849
Adjustments with LLP	(224,496)	(248,845)
	675,340	637,004

During 2020, corrections were made in the value of accounts receivable as they are recognized only when the recognition conditions are met according to accounting standards.

*Other provisions represent looting and cash shortages for which the company has dealt under "IAS 37 Provisions, Contingent Liabilities and Contingent Assets".

Prepayments

On 31 December	2020	2019
Tax prepayments	0.00	291,778
Insurance prepayments	5,349	4,954
Total	5,349	296,733

13. Cash and cash equivalents

On 31 December	2020	2019
<i>Belonging to the Company</i>		
Cash on hand	3,188	1,548
Cash in bank	38,122	79,524
Short-term deposits	0	0
Sub-Total (I)	41,309	81,072
<i>Belonging to the Clients</i>		
Cash on hand	1,060,723	589,239
Cash in bank	657,653	683,696
Sub-Total (II)	1,718,375	1,272,934
Total (I+II)	1,759,685	1,354,006

For the year ending on December 31, 2020, the company had cash on hand and in the bank that belonged to clients for financial services such as Iute Credit, Social Scheme, Monego, Municipal Tariffs, etc., at a value of 1,718,375 Euros (2019: 1,272,934 Euro).

14. Accounts payable and other

On 31 December	2020	2019
Local and non-local suppliers	869,444	719,559
Tax liabilities	485,893	803,653
Wage obligations	677,856	522,603
Other accounts payable	1,847,610	1,584,630
Total	3,880,803	3,630,446

Adjustments, suppliers abroad:

	2020	2019
Local and non-local suppliers	1,093,940	968,405
Suppliers abroad	(224,496)	(248,845)
	869,444	719,559

The adjustment was made due to international clients between LLA and LLP.

15. Deferred revenues

On 31 December	2020	2019
Deferred revenues	181,730	271,180
Total	181,730	271,180

Deferred revenues represent the grant for equipment donated by the Ministry of Economic Development, which is treated according to IAS 20, as well as prepayments of philately clients and donations for the purchase of IT equipment from the Swiss Government.

16. Revenues from sales

For the period ended on December 31	2020	2019
Revenues from postal services	2,272,284	3,218,900
Revenues from other postal services	1,715	4,380
Revenues from non-postal services	142,702	235,520
Revenue from Services / Hybrid Mail	345,727	415,057
Revenues from non-banking services	1,757,805	2,071,395
Rental income	4,224,938	4,216,974
Revenues from agreements	949,197	990,831
Other operating income	9,306	15,321
Revenues from non-operating services	84,990	246,321
Proceeds from the donation	97,590	
Income from Post Paid Employee Participation	87,915	
Total	9,974,170	11,414,699

16.1 Revenues from subsidies

For the period ended on December 31	2020	2019
Subsidy revenues	1,750,000	720,000
Total	1,750,000	720,000

Based on the decision of the Government with No. 02/33 (19/05/2020) and decision No. 01/19 (30/03/2020) for the fiscal emergency package from the announcement of the COVID 19 pandemic, the public enterprise Post of Kosovo JSC is the beneficiary of financial means in the amount of 1,750,000.00 euros.

According to the decision of the Provisional Board of Directors of PK JSC, with the Prot. No. 02-983 / 20., the funds transferred from MEPTINIS funds were spent for employees' salaries for two months in the amount of 1,484,611.53 euros and 265,388.47 euros for operating expenses during the COVID 19 period. We have reported about this to the line ministry according to their requests.

17. COGS

For the period ended on December 31	2020	2019
Direct selling cost	222,217	762,056
Cost of material	57,269	105,583
Total	277,486	867,639

Compared to last year, COGS is smaller due to the allocation of some costs to operating expenses.

18. Operating costs

For the period ended on December 31	2020	2019
Public services	142,590	227,678
Tax withholding	124,322	115,697
Maintenance	470,142	463,366
Travel expenses	70	5,588
Oil and its derivatives	107,355	187,592
Rental costs	447,010	74,115
Office and administration expenses	174,310	101,736
Non-operating expenses	347,280	180,854
Representation/Contingent	3,963	8,451
Other	12,368	20,457
Total	1,829,409	1,385,534

19. Salary expenses

For the period ended on December 31	2020	2019
Salary expenses	4,719,434	5,885,658
Salary costs / subsidies	3,919,473	2,921,389
Pension contributions 5%	236,747	294,798
Pension expenses	19,065	19,046
Total	8,894,719	9,120,891

20. Transactions with affiliated parties

A person or a close family member of that person is associated with the Reporting Company, if that person:

- i. has control or joint control over the Reporting Company,
- ii. has control or joint control of the Reporting Company,
- iii. has significant impact on the Reporting Company, or
- iv. is the key management member of the Reporting Company or the parent of the Reporting Company.

An entity is affiliated with the Reporting Company if any of the following conditions apply:

- i. The Entity and the Reporting Company are members of the same group (meaning that each parent entity, branch and subsidiary is affiliated with the others).
- ii. An entity is a joint venture or enterprise of another entity (or a joint venture or enterprise of a member of the group in which the other entity is a member).
- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a third party's joint venture, and the other entity is a third entity.
- v. An entity is a post-employment benefit plan for the benefits of employees of the reporting entity or an entity affiliated with the reporting entity. If the reporting entity is such a plan, the sponsoring workers are also affiliated to the reporting entity.
- vi. The entity is controlled or has joint control by a close person or a close family member of that person.

- vii. A related person has major influence over the entity or is a member of the entity's key management (or the entity's parent company).

A transaction with an affiliated party is a transfer of resources, services or liabilities between the Reporting Company and the affiliated party, regardless of whether the price is charged.

During the year, the Company had transactions with related parties such as top management and the Board of Directors.

21. Fair value and risk management

a. Capital risk management.

The company manages its capital to ensure that the company will be able to proceed according to the principle of continuity, maximizing the return to shareholders through debt optimization and equity balance.

The capital structure of the Company consists of the capital attributed to the capital holders and which consists of the issued capital and the retained earnings.

b. Important accounting policies

Details of important accounting policies and approved methods including recognition criteria, measurement bases and bases on which income and expenses are recognized in relation to each class of financial assets, financial liabilities and capital instruments are presented in note 4 of the financial statements.

c. Categories of financial instruments

At the end of the year the Company has these financial instruments:

	On December 31, 2020	On December 31, 2019
<u>Financial assets:</u>		
Cash on hand and in the bank	1,759,685	1,354,006
Trade and other receivables	3,054,900	2,439,627
<u>Financial liabilities at amortized cost</u>	3,880,803	3,630,446

d. Financial risk management objectives

The Company's activities expose it to a variety of financial risks, including credit risk and the risks associated with the effects of exchange rate fluctuations and interest rates. Company risk management focuses on the unpredictability of markets and seeks to minimize potential negative effects on the Company's business performance.

Risk management is implemented by the Board of Directors based on certain policies and procedures approved in advance in writing, and which cover risk management in general, as well as specified areas such as: foreign exchange risk, risk of interest rates, credit risk, use of appropriate securities and investments of excess liquidity.

e. Market risk

Foreign currency risk

The company operates internationally and is exposed to the currency exchange risk arising from various foreign exchange exposures mainly from the US Dollar. The company does not use any instruments to protect itself from foreign exchange risk. The Company's treasury is responsible for maintaining an adequate net position in each currency and in total and its operations are monitored daily by the Company's executives.

The company also conducts transactions in Euros and foreign currencies. The company did not enter into any forward exchange or was not involved in fuel transactions during the years ended December 31, 2019, and 2018.

Fair value and risk management (continued)

Interest rate risk

The interest rate risk is composed of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturity of interest-bearing assets will change from the maturity of interest-bearing liabilities that are used to finance these assets. The length of time for which the interest rate is fixed on a financial instrument indicates the extent to which it is exposed to interest rate risk. The company is not visibly exposed to interest rate risk as it does not have any obligation to carry volatile interest on the reporting date.

f. Credit risk

The company is subject to credit risk through sales activities. For this reason, the credit risk for the Company stems from the inability of the parties to fulfill their contractual obligations. The amount of credit exposure in this regard is presented by the carrying values of assets in the statement of financial position.

The maximum credit risk exposure is disclosed in Note 22 c). Trading receivables are monitored on daily basis and clients are notified on time.

The carrying amount of financial assets recorded in the financial statements, which is the net value of losses, if any, represents the maximum exposure of the Company to credit risk.

g. Liquidity risk

Liquidity risk arises in the overall financing of the Company's activities and in the management of positions. It includes both, the risk of not being able to finance assets with maturity and appropriate interest rates, and the risk of not being able to liquidate an asset at a reasonable price and within the appropriate timeframe for fulfilling the obligations.

The company has assessed as a risk the fact that revenues from rent and other services that include 40% of total revenues are from the strategic partner. However, the management has planned other alternatives (such as leasing to other clients, etc.) in case of impossibility of collection of claims by this partner and which is foreseen by the Risk Policy.

The company monitors its liquidity on monthly basis to manage its liabilities when they must to be paid. The contractual maturity of the Company's financial instruments on 31 December 2020 is as follows:

31 December 2020	Carrying Value	1 to 6 months	6 to 12 months	1 to 5 years
Financial assets				
Cash and cash equivalents	1,759,685	1,354,006		-
Commercial and other receivables	3,054,900	2,439,627		-
Total Assets	4,814,585	3,793,633	-	
Liabilities				
Trade and other payables	3,880,803	3,630,446		-
Total Liabilities	3,880,803	3,630,446	-	
Liquidity Position	933,782	163,187	-	-

Fair value and risk management (continued).

g. Liquidity risk (continued)

h. The fair value of financial instruments

The Management of the Company considers that the carrying values of financial assets and financial liabilities recorded at cost or depreciated costs in the financial statements, approximate their fair values due to their short maturity.

The company has re-evaluated the properties and buildings from the licensed company where the value of assets has increased to the value of 75,786,045 euros and at the same time the value of equity has increased for the same value. These values are not included in the financial statements as a draft, but the same will be presented in the final financial statements of PK JSC.

22. Off-balance sheet items

On December 31, 2020, the Company has adjusted the Financial Statements by removing some buildings from the Financial Statements or by registering certain lands and treating them in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" for which there is a legal dispute and claims that it will return them on behalf of the Company. According to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", errors in the Financial Statements should have retrospective restatement as if the period error never occurred so that by 2020 the Assets for accumulated depreciation have been corrected and some buildings have been left out.

23. Contingent liabilities and commitments

Tax liabilities

The financial statements and accounting records of the Company have not been audited by the tax authorities for the period 01 January 2020 – 31 dhjetor 2020 therefore the tax liabilities of the Branch cannot be considered as completed.

Court cases

In the normal course of business, the Company is involved in various claims and legal actions. According to the management and their legal advice and explanatory information from them, we emphasize that the estimated value of liabilities from civil disputes, enforcement procedure, and disputes from employees is 583,300.00 euros. Also, our claims from Civil Disputes in the civil field based on claims for damages and others reach an approximate value of 5,415,780 euros of which 4,741,400 euros relate to the services of UPS. We would like to emphasize the fact that the Post of Kosovo claims that in the future to obtain 6 (six) apartments in Pristina which belonged to PK under the division agreement with PTK. Their approximate value is 340,000 euros after the end of the court dispute.

24. Events after the reporting date

On March 11, 2020, the World Health Organization declared the spread of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively affect the net income and the measurement of assets and liabilities. Currently, the Company is unable to assess the possible effects of this pandemic on our financial statements. The company considers that this is a non-regulatory event after the balance sheet date. For more refer to Note 2 d, Use of estimates and judgments.

There are no other events following the reporting date that would require disclosure in the Company's financial statements.