NDËRMARRJA PUBLIKE KOMUNALE
MUNICIPALITY PUBLIC ENTERPRISE
"TRAFIKU URBAN" SH.A.
PRISHTINË
Nr. 2897. 01. 11. 21

N.P.K. TRAFIKU URBAN SH.A.

Independent Auditors' Report and Financial Statements for the year ended December 31, 2020

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N.P.K. TRAFIKU URBAN SH.A.
Address: St. Tahir Zajmi no.43,
Prishtina, Kosovo
UIN: 811289009

Compliance Statement

For financial statements ending on December 31, 2020

Based on our best knowledge, we declare that financial statements for the year ended December 31, 2020, correctly and truly represent the financial position of the company, its financial result and cash flow for the year completed on this date accordingly with the requirements of Law no. 06/L- 032 on Accounting, Financial Reporting and Auditing.

Prishtina October 27th , 2021

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Mentor Isufi	Driton Morina
Executive Director	Chief financial officer of the treasury

BDO

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INDEPENDENT AUDITOR'S REPORT

To the Management and the Shareholders of N.P.K. TRAFIKU URBAN SH.A.

Qualified opinion

We have audited the financial statements of N.P.K. TRAFIKU URBAN SH.A (the Company), which comprises: the statement of financial position as at December 31, 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for qualified opinion

1. As disclosed in Note 10 to the financial statements property, plant and equipment as of December 31, 2020 shows an amount of 11,963,168 Euro (December 31, 2019 - 10,902,523 Euro), included in this amount is land in of amount 905,000 Euro and equipment of 1,488,234 Euro. Through standard and alternative procedure we were unable to obtain sufficient appropriate audit evidence about the carrying value of property, plant and equipment as of December 31, 2020 and depreciation expenses recorded for the year ended December 31, 2020, we were unable to determine whether any adjustments to these amounts were necessary.

2. We were not appointed as auditor of the Company until after 31 December 2020 and thus did not observe the counting of physical auto parts and inventories at the end of the year. We were unable to satisfy ourselves by alternative means concerning the auto parts and inventory quantities held at 31 December 2020, which are included in the balance sheet at 754,010 Euro, by using other audit procedures. Consequently we were unable to determine whether any adjustment to this amount was necessary.

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

BDO

Key audit matters

The key audit matters are those that in our professional judgment, were most relevant in our audit of the financial statements of the current period. These issues were addressed in the context of our audit of the financial statements as a whole, and in the formation of our opinion, and we do not give a specific opinion on these matters.

Key audit matters	How we addressed key audit matters
Revenue recognition We identified revenue recognition as a key audit matter because of the importance of revenue as the most significant financial item in the statement of profit or loss and other comprehensive income. The main revenue stream is sales realized with Municipality of Prishtina (shareholder). Details of accounting policies for revenue recognition and revenue analysis are disclosed in the notes to the financial statements.	We have tested the design, implementation and effectiveness of the internal controls operations related to the occurrence, accuracy and completeness of revenue. In addition, we have conducted substantive audit procedures consisting of analytical revenue analysis and trend analysis. We have further: • Identified records that affect revenues; • Tested on a sample basis, application and appropriateness of accounting policies for revenue recognition; • Evaluated the design and perform tests of manual controls related to revenue recognition;

Other matter

The Company financial statements for the year ended December 31, 2019 have been audited by another auditor which expressed qualified opinion for value of property, plant and equipment.

Reporting on other information including management report

Other information includes the Management Report together with a Corporate Governance Declaration, as required by Article 7 of Law no. 06 / L-32 on Accounting, Financial Reporting and Auditing, which constitute separate parts of the report for the financial year ending 31 December 2020.
The management of the company is responsible for the preparation of other Information in accordance with the applicable Law.
Management and those responsible for governance are required to ensure that other Information meets the requirements of the Law.

Auditor's responsibilities

Our opinion on the financial statements does not include other information. In relation to our audit of the financial statements, it is our responsibility to read the other information and during this process to assess whether the other information is not consistently compliant with the financial statements or with the understanding that we have gathered during the audit, or whether other information contains significant anomalies.
When we read the management report, if we conclude that there are significant anomalies in it, we are obliged to communicate these issues to the persons in charge of governance. In addition, by law, we are required to express an opinion as to whether the Management Report has been prepared in accordance with applicable law and whether it complies with the information included in the financial statements. Furthermore, we are obliged to declare whether the Corporate Governance Declaration has been prepared by the Company and to express an opinion as to whether the Company has included the necessary information in the declaration of compliance with the principles of corporate governance.

BDO

Opinion on the Management Report

Based on our work performed during the audit, we are of the opinion that the Management Report has been prepared in accordance with Article 7 of the Law and is consistent with the information contained in the financial statements.

Opinion on the Management Report (Continued)

Furthermore, based on the knowledge and understanding of the Company and its environment obtained during the audit, we have not identified any material errors in the Management Report.

Opinion on the Corporate Governance Declaration

In our opinion, the Corporate Governance Declaration contains all the information as required by Article 7 of the Law and is consistent with the information contained in the financial statements.

Responsibilities of management and persons in charge of governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for internal control which management deems necessary to enable the preparation of financial statements free from material misstatement due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company's ability for continuance in the future, disclosing, as needed, issues related to the continuance in the future and applying the going concern principle of accounting unless management intends to liquidate the Company or terminate the operation, or there is no other possible alternative than to do so.
Those in charge of governance are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material **Auditor's Responsibilities for the Audit of the Financial Statements (continued)** uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the explanatory information provided, and whether the financial statements represent the transactions and events in them in a way that achieves the fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also declare to those in charge of governance that we have complied with the relevant ethical requirements regarding independence, and communicate to them all other relations and issues that may reasonably be thought to affect our independence, and where it is applicable, relevant protective measures.

From the issues communicated to the persons in charge of governance, we identify those issues that were most relevant in auditing the statements for the current period and are therefore key audit issues. We describe these matters in our auditor's report, except when laws or regulations prohibit public disclosure of the matter, or when, in extreme circumstances, we determine that an issue should not be communicated in our report because of adverse consequences from this communication are expected to reasonably exceed the benefits of public interest from that communication.

Independence

We are independent of the company in accordance with the Code of Ethics for the Accountant Profession of the Board of International Standards of Ethics for Accountants (BSNEK Code) and the ethical requirements of the Kosovo Financial Reporting Council (KCFR) which are relevant to the audit. of financial statements in Kosovo. We have fulfilled our other ethical responsibilities in accordance with the IASB Code and the ethical requirements of the KCFR.

Non-audit services

We declare that, to our best knowledge, we have not provided non-audit services which are prohibited by Administrative Instruction No. 02/2019 "On the Independence of the Legal Auditor and Audit Firms".

Limitation on use of the report

This report cannot be copied or distributed to any other party other than the Company internal purposes and European Bank for Reconstruction and Development.

Amir Dermala,
Engagement Partner
BDO Kosova L.L.C.
Str. Ukshin Hoti, Ob. 04/3, Ent. A, Floor II
Prishtina, Kosovo
October 27, 2021

BDO
BDO Kosova L L C
audit, accounting and financial advisory
Prishtina, Kosova

All amounts are presented in Euro

	Notes	As at December 31, 2020	As at December 31, 2019 Re-stated	As at December 31, 2019
Assets				
Current assets				
Cash and cash equivalents	6	515,731	750,668	148,026
Trade receivables	7	557,519	332,525	34,590
Prepayments	8	66,804	86,473	89,756
Auto parts and inventory	9	754,010	206,756	579,960
Total current assets		**1,894,064**	**1,376,422**	**852,332**
Non-current assets				
Property, plant and equipment	10	10,902,523	11,963,168	12,933,945
Total non-current assets		**10,902,523**	**11,963,168**	**12,933,945**
Total assets		**12,796,587**	**13,339,590**	**13,786,277**
Equity and liabilities				
Current liabilities				
Trade payable	11	525,875	218,497	266,205
Other liabilities	12	811,019	1,315,967	1,593,469
Deferred revenues		-	-	1,618,354
Short-term loans	13	1,020,638	1,106,031	1,020,638
Deferred Liabilities		376,927	196,130	93,997
Total current liabilities		**2,357,532**	**2,640,495**	**4,498,666**
Non-current liabilities				
Long-term loans	13	6,634,146	7,569,390	8,675,421
Non-current liabilities		**7,011,073**	**7,765,520**	**8,769,418**
Total liabilities		**9,368,605**	**10,406,015**	**13,268,084**
Equity				
Share capital		25,000	25,000	25,000
Reserves		1,999,193	1,999,193	1,999,193
Retained earning		1,403,789	909,382	(1,506,000)
Total equity		**3,427,982**	**2,933,575**	**518,193**
Total equity and liabilities		**12,796,587**	**13,339,590**	**13,786,277**

Authorized for issue by the management and signed on its behalf on October 27, 2021.

NDËRMARRJA PUBLIKE KOMUNALE N.P.K. "TRAFIKU URBAN" SH.A PRISHTINË MUNICIPALITY PUBLIC ENTERPRISE

Mentor Isufi	Dritan Morina	Shukrie Morina
Executive Director	Chief financial officer of the treasury	Certified Accountant

The accompanying notes from 1 to 26 form an integral part of these financial statements.

All amounts are presented in Euro

	Notes	Year ended December 31, 2020	Year ended December 31, 2019
Revenues from sales	14	5,810,168	6,074,808
Other revenues	15	188,777	64,180
Grant Income	16	-	1,615,281
Depreciation and amortization expenses	10	(1,094,554)	(1,078,446)
Personnel expenses	17	(2,457,274)	(2,245,386)
Operating expenses	18	(1,676,293)	(1,812,508)
Operating profit		**770,824**	**2,617,929**
Financial expenses	19	(95,620)	(100,414)
Profit before tax		**675,204**	**2,517,515**
Tax expenses	20	(180,797)	(102,133)
Net profit		**494,407**	**2,415,382**
Other comprehensive income		-	-
Total comprehensive income		**494,407**	**2,415,382**

All amounts are presented in Euro

	Share capital	Retained earning	Reserve	Total equity
As at January 1, 2019	25,000	909,382	1,999,193	2,933,575
Additions in capital	-	-	-	-
Profit of the year	-	494,403	-	494,403
Other comprehensive income	-	-	-	-
As at December 31, 2019	**25,000**	**1,403,785**	**1,999,193**	**3,427,978**
As at January 1, 2019 Re-stated	25,000	(1,506,000)	1,999,193	518,193
Profit of the year	-	2,415,382	-	2,415,382
Other comprehensive income	-	-	-	-
As at December 31, 2019	**25,000**	**909,382**	**1,999,193**	**2,933,575**
Profit of the year	-	494,407	-	494,407
Other comprehensive income	-	-	-	-
As at December 31, 2020	**25,000**	**1,403,789**	**1,999,193**	**3,427,982**

The accompanying notes from 1 to 26 form an integral part of these financial statements.

All amounts are presented in Euro

	Notes	Year ended December 31, 2020	Year ended December 31, 2019
Cash flows from operating activities			
Profit before taxation		675,204	2,517,515
Adjustment for:			
Depreciation and amortization	12	1,094,554	1,078,476
Revenues exempt from deferred revenues		-	(1,615,281)
Operating profit before change in working capital		**1,769,758**	**1,980,711**
Decrease in auto parts and inventory		(547,254)	(58,730)
Increase in trade receivable		(224,994)	(297,934)
Decrease in prepayments and others		19,669	3,283
Increase/(decrease) in trade and other payables		307,378	(47,711)
Decrease in other liabilities		(504,948)	(280,573)
Net cash generated from operating activities		**819,609**	**1,299,046**
Cashflow from investing activities			
Acquisition of fixed assets		(33,909)	(107,700)
Net cash used in investing activities		**(33,909)**	**(107,700)**
Cash flow from financing activities			
Change in long term loans and borrowings		(1,020,637)	(1,020,638)
Cash generated from financing activities		**(1,020,637)**	**(1,020,638)**
Net (decrease)/increase of cash and cash equivalents		**(234,937)**	**170,708**
Cash and cash equivalents at the beginning of the year	6	750,668	579,960
Cash and cash equivalents at the end of the year	6	**515,731**	**750,668**

The accompanying notes from 1 to 26 form an integral part of these financial statements.

1. General

NPK "Urban Traffic" is a joint stock company established on 01.04.1976, organized by the Municipality of Prishtina, as a Municipal Public Enterprise (NPK).
Based on the amendment and supplementation of law no. 04 / L-111 dated 20.04.2012 of the Law on Municipal Public Enterprises with no. 03 / L-098 "Urban Traffic" is registered as a Municipal Public Enterprise JSC in Prishtina.

The Municipality of Prishtina owns 100% of the Enterprise Shares
Fiscal Number: 600215611
VAT Certificate Number: 330076598
Address: Str. Tahir Zajmi no.43, 10 000 Prishtina, Kosovo

The company during 2020 had an average of 365 employees

On December 31 2020, the company had 365 employees

2. Adoption of new or revised international financial reporting standards

2.1. New standards, interpretations and amendments adopted from 1 January 2020

The new standards, amendments and interpretations are effective for the first time for the period from, on (or after) 1 January 2020, but have no material effect on the Company so they have not been discussed in detail in the notes in the financial statements.

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Accounting Changes, Estimates and Errors (Amendment - Disclosure Initiative - Material Definition); and
- Conceptual Framework for Financial Reporting.

Other new and amended Standards and Interpretations issued by the IASB to be applied for the first time in future annual financial statements are not expected to affect the Company's Financial Statements as they are not relevant to the Company's activities and do not require accounting which is in line with current company accounting policies.

2.2. Standards and interpretations issued by the IASB but not yet effective and not previously applied by the Company

There are a number of standards, changes in standards and interpretations that have been issued by the IASB that are effective in future accounting periods that the Company has decided not to apply at the outset.

2. Adoption of new or revised international financial reporting standards (continued)

2.2. Standards and interpretations issued by IASB but still ineffective and not previously applied by the Company (continued)

The amendments also clarify that 'settlement' involves the transfer of cash, goods, services or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability of a composite financial instrument. The amendments were initially effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was extended to annual reporting periods beginning on or after 1 January 2023.
A company framework is currently assessing the impact of these new accounting standards and changes. The Company does not believe that the amendments to IAS 1 will have a material impact on the classification of its liabilities, as the convertible feature in its convertible debt instruments is classified as an equity instrument and therefore does not affect the classification of its convertible debt as a non-current liability.
The Company does not expect any other standard issued by the IASB, not yet effective, to have a material impact on the Company's Financial Statements.

3. Accounting policies

3.1 Compliance statement

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

3.2 Basis of measurement

The Financial Statements are prepared on the basis of historical cost. Historical cost is generally based on the fair value of the value given in exchange for goods and services. Preparing financial statements in accordance with IFRS requires the use of certain critical accounting estimates. This also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are relevant to the financial statements, are disclosed in Note 3.19.

The main accounting policies used in preparing these financial statements are set out below. These policies have been applied consistently to all periods presented, unless otherwise stated (refer to 2 for new and amended standards approved by the Company).

3.3 Currency presented

The financial statements are presented in Euro, in accordance with the regulations of the European Monetary Union and the instructions issued by the Central Bank of Kosovo. The Euro has been adopted as the only legal currency in the territory of Kosovo since January 1, 2002.

3. Accounting policies (continued)

3.4 Use of estimations and judgements

Preparation of Financial Statements in accordance with IFRS requires management to make judgments, estimations and assumptions that affect the implementation of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimations. Basic estimations and assumptions are reviewed on an ongoing basis. Revisions in evaluations are recognized with perspective.

COVID - 19: The rapid development of the Covid-19 virus and its social and economic impact in Kosovo and globally may result in revisions and assessments that require material adjustments to the carrying amount of assets and liabilities within the next financial year. .

In particular, management expects that the assumptions and estimates used in determining trade payables and other payables, borrowings and their carrying amount may require correction. However, at this stage management is not able to reliably assess the impact as events are changing day by day. Long-term impact can also have an impact on income, cash flows and profitability. However, at the date of these financial statements, the company continues to meet its obligations and therefore continues to apply the basis of preparation of the financial statements on a going concern basis.

3.5 Going concern principle

The statement of financial position and the statement of comprehensive income have been prepared on the basis of the going concern principle, which assumes that the company will be able to realize its assets and settle its liabilities in the ordinary course of business.

3.6 Foreign currency transactions

Foreign currency transactions are exchanged into the functional currency at the exchange date. Differences caused by these conversions into monetary items are recognized in profit or loss for the period. Non-monetary items measured at historical cost are converted using the exchange rates at the date of the transaction (not converted).
Non-monetary items measured at fair value are converted using the exchange rates at the date that the fair value was determined.

3.7 Auto parts and inventory

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price at the ordinary course of business, less costs of completion and costs necessary to effect the sale.
The cost of supplies and spare parts are determined using the weighted average method and include the costs incurred in purchasing inventories and bringing them to their existing location and condition. The cost of inventories produced and work in progress includes an appropriate share of overhead, based on normal operating capacity.

3.8 Property, plant and equipment

Property, plant and equipment are stated at historical reduced cost for accumulated depreciation. Historical cost includes costs that are directly attributable to the items acquired. The cost of self-construction of assets includes the cost of raw materials, direct labor and a certain proportion of dependent production costs.

3. Accounting policies (continued)

3.8 Property, plant and equipment (continued)

Subsequent acquisitions are included in the carrying amount of the asset or are presented as a separate asset, respectively, only when there is a likelihood of a future cash flow of the Company from the relevant item, and when the value of the item can be reasonably measured. All other repairs and maintenance are charged as an expense to the income statement during the financial period in which they are incurred.

Depreciation of other assets is calculated using the straight-line method of allocating the cost or cost considered at their residual value over their useful life, as follows:

Building	20 years	5%
Bus	12 years	8.33%
Furniture and equipment	5 years	20%
Vehicle	5 years	20%
Other assets	5 years	20%

The residual value of the assets and the time of use are reviewed, and adjusted if necessary, at each balance sheet date. The carrying amount of the asset is settled immediately at the recoverable amount if the carrying amount of the asset is greater than the estimated recoverable amount.
Gains and losses on disposal are determined by comparing income with carrying amount. These are included in the income statement.

3.9 Current and deferred income tax

The current income tax rate is calculated based on the tax law approved at the balance sheet date. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using a tax rate that is approved at the balance sheet date and is expected to apply when the deferred income tax asset is realized or the deferred tax liability is settled.
Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

3.10 Financial assets

All regular purchases or sales of financial assets are recognized and derecognized on the trade date. Regular purchases or sales are the purchase or sale of financial assets that require the distribution of assets within the time limit set by regulation or convention in the market. All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are then measured at amortized cost:
- Financial assets are held within a business model, the purpose of which is to maintain financial assets to collect contractual cash flows;

3. Accounting policies (continued)

3.10 Financial assets (continued)

Classification of financial assets(continued)

- The contractual terms of the financial asset arise on specified cash flow dates which are only principal and interest payments on the principal outstanding amount.

Classification of financial assets
Debt instruments that meet the following conditions are then measured at fair value through other comprehensive income (FVTOCI):

- Financial assets are held within a business model, the objective of which is achieved by both the collection of contractual cash flows and the sale of financial assets;
- The contractual terms of the financial asset arise on specified dates cash flows that are only principal and interest payments on the principal outstanding amount. All other financial assets are subsequently measured at fair value through profit or loss (FVTPL). Other than the above, the company may make the following irreversible choices / determinations upon initial recognition of a financial asset;
- The Company may irrevocably choose to present subsequent changes in the fair value of an equity investment in other comprehensive income if certain criteria are met (see below); and
- The Company may irrevocably determine a debt investment that meets amortized cost or the FVTOCI criteria measured in the FVTPL if doing so eliminates or significantly reduces an accounting discrepancy.
- The effective interest method is a method of calculating the amortized cost of a debt instrument and distributing interest income for the relevant period.

For financial assets, other than financial assets that have been impaired, acquired or generated within the Company's portfolio (i.e. assets that are impaired by credit at initial recognition), the effective interest rate is the rate that exactly deducts the values. estimated future receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or deductions) excluding expected credit losses over the expected life of the debt instrument, or, where appropriate, a shorter period, at the gross carrying amount of the debt instrument at initial recognition. For impaired financial assets acquired or generated within the Company's portfolio, an effective interest rate adjusted by the loan is calculated by deducting the estimated future cash flows, including expected credit losses, at amortized cost. debt instrument at initial recognition.

Amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition less repayments made, plus cumulative depreciation using the effective interest method on any changes between that initial amount and the amount of maturity adjusted for each loss. . The carrying amount of a financial asset is the amortized cost of a financial asset before being adjusted for any impairment.

Interest income is recognized using the effective interest method on debt instruments subsequently measured at amortized cost and in the FVTOCI. For financial assets, other than impaired financial assets, acquired or generated within the Company's portfolio, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, other than financial assets that have subsequently declined. in value (see below).

3. Accounting policies (continued)

3.10 Financial assets (continued)

For financial assets that have been impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, credit risk in the financial instrument that has been devalued improves so that the financial asset is no longer impaired, the interest income is recognized by applying the effective interest rate to the gross carrying amount. of financial asset.

For impaired acquired or originating financial assets, the Company recognizes interest income by applying the effective adjustment rate to the amortized cost of the financial asset from initial recognition.

The calculation is not reversed on a gross basis even if the credit risk of the financial asset is subsequently improved so that the financial asset is no longer impaired.

Foreign exchange profit and losses

The carrying amount of financial assets expressed in a foreign currency is specified in that foreign currency and converted at the exchange rate at the end of each reporting period. Specifically:

- The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the point exchange rate at the end of each reporting period. Specifically, for financial assets measured at amortized cost that are not part of a particular hedging relationship, exchange differences are recognized in profit or loss in the other item of profit and loss;
- For debt instruments measured in the FVTOCI that are not part of a particular hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the other item of profit and loss. Other exchange differences are recognized in other comprehensive income in the revaluation reserve of investments.
- For financial assets measured in FVTPOL that are not part of a particular hedging relationship, exchange differences are recognized in profit or loss in the statement of "other gains and losses"; and
- For equity instruments measured in the FVTOCI, exchange differences are recognized in other comprehensive income in the revaluation reserve of investments.

Derecognition of financial assets

The Company recognizes an allowable loss for expected reductions in the value of investments in debt instruments measured at amortized cost, rental receipts, trade receivables and contract assets, as well as in financial guaranteed contracts. The amount of expected impairment losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the relevant financial instrument.

The Company always recognizes expected trade receivable losses, contract assets and receivables. Expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors specific to debtors, general economic conditions and an estimate of both current and future management. forecasting conditions at the reporting date, including the time value of money, where appropriate.

3. Accounting policies (continued)

3.10 Financial assets (continued)

For all other financial instruments, the Company recognizes expected credit life losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since its initial recognition, the Company measures the loss amount for that financial instrument at an amount equal to 12 months.
Life expectancy of credit losses represents the expected credit losses that will arise from all possible events predetermined during the life of a financial instrument. In contrast, the expected 12-month credit loss represents the portion of life expected to result from predetermined events in a financial instrument that are probable within 12 months from the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since the initial recognition, the company compares the risk of a default on the financial instrument at the reporting date with the risk of a default on the financial instrument on the initial recognition date. For this assessment, the company considers both quantitative and qualitative information that is reasonable and reliable, including historical experience and future information that is available at no unnecessary cost or effort. Future information, considered, includes the future perspective of the industries in which the company's debtors operate, obtained from the reports of economic experts, financial analysts, government bodies and other similar organizations, as well as consideration of various sources. external that provide economic information relating to the core operations of the company.

Significant increase in credit risk

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- A significant current or expected deterioration in the external valuation of the financial instrument (if available) or internal credit:
- Significant deterioration of external market credit risk indicators for a particular financial instrument, e.g. a significant increase in the spread of credit, the default loan exchange rates for the debtor, or the duration or extent to which the fair value of a financial asset has been less than its amortized cost;
- Adverse existing or anticipated changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- A significant current or expected deterioration of the debtor's operating results;
- Significant increase in credit risk for other financial instruments of the same debtor;

A significant current or expected negative change in the debtor 's regulatory, economic or technological environment resulting in a significant decrease in the debtor' s ability to meet its debt obligations.

3. Accounting policies (continued)

3.10 Financial assets (continued)

Despite the result of the above assessment, the company assumes that credit risk for a financial asset has increased significantly since initial recognition when contractual payments have expired for more than 30 days, unless the company has reasonable and reasonable information. supportive that demonstrates otherwise. Notwithstanding the above, the Company assumes that credit risk in a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument may have low credit risk if:

- The financial instrument has a low default risk.
- If the debtor has significant capacity to meet his contractual obligations on time.
- Unfavorable changes in economic and business conditions in the long run may reduce the borrower's ability to meet its contractual obligations.

The Company considers a financial asset to have a low credit risk when the asset has an external 'investment grade' credit rating in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating. of 'performance'. Performance appraisal means that the contracting party has a strong financial position and has no expired liabilities.

For financial guaranteed contracts, the date on which the Company becomes a party to the irrevocable commitment is deemed to be the date of initial recognition for the purpose of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in credit risk since the initial recognition of the financial guarantee contracts, the Company considers changes in the risk that the specified debtor will not be voted on by the contract.

Derecognition of financial assets (continued)

Significant increase in credit risk (continued)

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and reviews them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before amount to pass.

Default definition

The Company considers the following to be a predetermined event for internal credit risk management purposes as historical experience shows that financial assets that meet any of the following criteria are generally not recoverable:

- When there is a breach of financial arrangements by the debtor; or

Information developed internally or obtained from external sources indicates that the debtor is unlikely to repay his creditors, including the Company, in full (regardless of any collateral held by the Company). Notwithstanding the above analysis, the Company considers that default occurred when an asset has expired more than 90 days, unless the Company has reasonable and supported information to demonstrate that a later default criterion is more appropriate.

3. Accounting policies (continued)

3.10 Financial assets (continued)

Financial assets impaired from credit
A financial asset is impaired by credit when one or more events have a detrimental effect on future cash flow expectations. Evidence that a financial asset has been impaired by the loan includes information about the following events:

- Significant financial difficulty of the client.
- A breach of contract, which may be a predetermined event or a previous event.
- The lender, due to the economic difficulties of the borrower, has given the lender a concession that the lender would not otherwise consider.
- If the lender is expected to go bankrupt; or
- The active market for the active one no longer exists due to financial difficulties.

Derecognition of financial assets

The Company derecognizes a financial asset only when its contractual cash flow rights from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of an asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and a subsequent liability for amounts it may have to pay. If the company retains to a large extent all the risks and rewards of owning a transferred financial asset, then the company continues to recognize the financial asset

Financial liabilities

All financial liabilities are measured at amortized cost using the effective interest method or FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for recognition or when the continuing inclusion approach is applied, financial guarantee contracts issued by the company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortized cost

Financial liabilities are classified in FVTPL when the financial liability is (i) the contingent consideration of a buyer in a business combination, (ii) held for trading or (iii) designated as in FVTPL, measured by the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that accurately deducts cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or deductions) over the term. expected financial liability, or (when appropriate) a shorter period, for the amortized cost of a financial liability.

3.11 Cash and cash equivalents

Cash and cash equivalents include banknotes and coins in circulation, unlimited balances held at the central company and assets that are highly liquid with an initial maturity of less than three months, which are subject to the insignificant risk of a change in their fair value. and used by the company in managing short-term commitments.

Cash and cash equivalents are held as per amortized cost in the statement of financial position.

3. Accounting policies (continued)

3.12 Prepayments and other short-term assets

Prepayments and other current assets are initially recognized at fair value and subsequently carried at cost less any impairment compensation, if any.

3.13 Trade and other payables

Trade payables are earned at their fair value and subsequently measured at amortized cost using the effective interest rate method.

3.14 Borrowings

Borrowings are initially recognized at historical cost. Other borrowings are initially recognized at fair value. Borrowings are then carried at amortized cost using the effective interest method.

3.15 Share capital

Ordinary shares and discretionary dividends are both classified as equity. The share capital of the Company is recognized at the same value.

3.16 Financial guarantees

Financial guarantees require the Company to make certain payments to reimburse the guarantee holder for a loss it incurs because a specified debtor fails to make the timely payment in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized on a straight-line basis over the life of the warranty. At the end of each reporting period, guarantees are measured higher than (i) the amount of the loss for the guaranteed exposure determined based on the expected loss pattern and (ii) the remaining unamortized balance sheet amount at initial recognition. In addition, an ECL loss is recognized for receivables recognized in the statement of financial position as an asset.

3.17 Dividends

Dividends are recorded as liabilities and deducted from equity 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 subsequent events. The Company's statutory accounting reports are the basis for profit distribution and other allocations. Kosovo legislation identifies the distribution base as the current year net profit.

3. Accounting policies (continued)

3.18 Provisions for liabilities

Provisions for liabilities are non-financial liabilities with time or unsecured amounts. They are calculated when the Company has a current or constructive liability as a result of past events, it is possible that an outflow of resources including economic benefits will be required to settle the liability and a reliable estimate of the amount of the liability may be made. . Provisions are measured at the present value of the expenditure expected to be settled to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the obligation. The increase in provision due to the passage of time is recognized as an expense of interest.

3.19 Revenue recognition

Revenues from contracts with customers
Revenues are measured based on the consideration specified in the contract with the customer and excludes 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 retail sale of furniture, lighting equipment and other household items, in specialty stores.
In determining whether an entry is recognized, the Company follows a 5-step process:
1. Identification of the contract with the customer
2. Identification of performance obligation
3. Determining the transaction price
4. Allocation of the transaction price to performance obligations
5. Recognition of revenues when the performance obligation is fulfilled.

Revenue is recognized either at a point in time or over time when the company meets 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 is gaining control of the goods, which is generally at the time of delivery.

Service offering
Revenue from a service contract is recognized over the life of the service based on either a fixed price or the hourly rate.

Other income
Other income is recognized when it is received or when the right to receive payment is established.

3.20 Employee benefits

Mandatory social insurance contributions: The company contributes only to the publicly administered pension plan, the Kosovo Pension Savings Trust (KPST), as required by law. The company has no further payment obligations once the contributions have been paid. Contributions are recognized as an expense for employee benefits when they are due. The Company has no further liabilities to its employees beyond these contributions

Retirement Benefits: The Company does not provide and has no liability for employee pensions over and over the contributions described in this note.

3. Accounting policies (continued)

3.21 Tax on income

Current income tax is calculated according to the income tax rules applicable in Kosovo, using the tax rates approved at 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. 06 / L-105 "On Corporate Income Tax".

Corporate profit tax expense

Profit tax expense includes current and deferred tax. Income tax expense is recognized in profit or loss, except when it relates to items recognized directly in equity or in other comprehensive income.

Current tax

The current tax is the tax expected to be paid on the taxable profit of the year, applying the tax rates in force at the reporting date, as well as any accounting tax adjustment to be paid in relation to previous years. Deferred income tax represents the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Deferred tax

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on laws that have been substantially enacted since the reporting date. In determining the value of current and deferred tax, the Company considers the impact of different tax positions and whether additional taxes and interest may be payable. The Company believes that its accruals for tax liabilities are adequate for all tax years open based on its assessment of many factors, including interpretations of tax law and previous experience. This assessment is based on parameters and assumptions and may include a series of judgments about future events. Eventually new information available may change the Company's judgment regarding the adequacy of existing tax liabilities; such changes in tax liabilities will affect tax expense in the period in which such a determination is made.
A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be used.
Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.22 Value added tax ("VAT")

Value-added tax on product related to sales is paid to the tax authorities in advance (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT can generally be refunded against output VAT upon receipt of the VAT invoice. The tax authorities allow the payment of VAT on a net basis. VAT related to sales and purchases is recognized in the statement of financial position on a gross basis and is disclosed separately as an asset and liability. When provisions are made for the impairment of receivables, the impairment loss is recognized in the gross amount owed by the debtor, including VAT.

3. Accounting policies (continued)

3.23 IFRS 16 Leases

The Company decided to apply the standard from the mandatory date of its adoption on 1 January 2019 using the modified retrospective method, without resetting comparisons and using certain simplifications permitted by the standard. IFRS 16 sets out the principles for recognizing, measuring, presenting and disclosing lease information and requires tenants to account for all leases under a single balance sheet model, similar to accounting for finance leases under IAS 17. The standard includes two exceptions. tenant recognition - leasing of "low value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize an obligation to make rent payments (i.e., the lease obligation) and an asset that represents the right to use the underlying asset during the lease term (i.e., the right to use the property). Leasing accounting under IFRS 16 is substantially unchanged from current accounting under IAS 17.

Lease obligations under IFRS 16 may be significant depending on the value of the lease and the expected duration of the lease, and may therefore affect how capital adequacy and other regulatory constraints are calculated.

The right to use property for the lease of property is measured in transition as if the new rules had always been applied. All rights to use the asset are measured at the amount of the lease liability from the adjustment (adjusted for any prepaid or accrued expenses). In applying IFRS 16 for the first time, the company deals with practical expeditions of foreign practices permitted by the standard:

- applying a single discount rate to a rental portfolio with similarly reasonable characteristics,
- relying on previous assessments of whether renting is heavy as an alternative to conducting an impairment review - there have been no major contracts since 1 January 2019,
- calculation of operating leases with a remaining lease term of less than 12 months from 1 January 2019 as short-term leases,
- excluding initial direct costs for measuring the right of use asset at the date of initial application, and
- using supervision in determining the term of the lease when the contract contains opportunities to extend or terminate the lease.

The company has also chosen not to re-evaluate whether it is a contract, or contains a lease on the date of initial application. Rather, for contracts entered into prior to the transition date, the Company relied on its valuation by making IAS 17, Leases, and IFRIC 4, determining whether an Agreement contains a Lease.

All amounts are presented in Euro

3.24 Adjustment of prior period

The Company has identified an error in the calculation of deferred liability and its recognition in other comprehensive income and has corrected them retrospectively by re-setting its earlier presented period. Below is the detail of the error correction for the affected balance sheets and transactions
For the year 2019

Statement of financial position (extract)

	December 31,2019	Increase decrease	December 31,2019 (re-stated)	January 1,2019	Increase decrease	January 1,2019 (re-stated)
Deferred tax liability	-	196,130	196,130	-	93,997	93,997
Accumulated losses	1,105,513	(196,131)	909,382	(1,412,003)	(93,997)	(1,506,000)

Comprehensive income statement

	December 31,2019	Increase decrease	December 31,2019 (re-stated)
Deferred tax liability	-	93,997	93,997
Accumulated losses	(1,412,003)	(93,997)	(1,506,000)

4. The use of estimations and judgements

In applying the Company's accounting policies, which are described in note 3 to these financial statements, Management is required to make judgments, estimates and assumptions regarding the carrying amounts of assets and liabilities that are not clearly apparent from their sources. . The assumptions assessed and associated are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. Basic estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the revision is revised if the revision covers only that period or in the revision period and future periods if the revision covers both current and future periods. In the process of applying the Company's accounting policies, which are described above, for the current period, management has not received judgments that have significant effects on the amounts recognized in the financial statements.

Lifespan of property, plant and equipment
The Company reviews the life of property, plant and equipment at the end of each reporting period. Any change in the continued use of the property or other factors that may affect the life of the assets and, accordingly, may significantly alter the carrying amount of those assets.

5. Critical accounting evaluation and calculation

The critical judgments and estimates included in the recognition of provisions, impairment of non-financial assets, income tax and deferred tax assets are described below.

Provisions and tax exposures
In determining whether a provision should be recorded, the Company judges whether there is any evidence that it has identified a measurable risk in the estimated cash flow in relation to, for example, taxes and penalties. This evidence may include observable evidence that there has been a change in national or local economic conditions associated with potential losses. Management uses estimates based on historical experience of loss of experience and objective evidence of similar current developments when estimating future cash flows.
The methodology and assumptions used to estimate the value and timing of future cash flows are reviewed regularly to reduce any differences between estimates of losses and actual losses. The company is subject to income tax in Kosovo.
Significant assessment is required in determining the amount of deferred income taxes.

Equipment impairment
Despite the accumulated losses from previous years (see Note 1), management believes that the Company will be profitable in the future based on sales that are sufficient to generate such profits and positive cash flows.
Valuation of equipment is a matter of judgment based on experience with similar assets and similar operations, current conditions and expectations for the future.

Determining fair values
A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities.
Fair values are determined for measurement and / or disclosure purposes, based on the following methods.
Where applicable, further information regarding the assumptions made in determining fair values are disclosed in the specific notes to that asset or liability.

Trade receivables
Trade receivables from customers are net of allowable provision. The receivables of the enterprise have a fair value estimated approximately equal to their carrying amount due to their short-term nature.

Trade payable accounts
Trade payables to suppliers are carried at cost. The Company's trade liabilities have a designated fair value approximately equal to their carrying amount due to their short-term nature.

Borrowings
Borrowings are held to maturity. Since borrowings have a feature of demand (the borrower can request repayment of the loan at any time) the fair value of the financial obligation is not less than the amount paid on demand.

All amounts are presented in Euro

6. Cash and cash equivalents

	As at December 31, 2020	As at December 31, 2019
Cash at banks	515,731	750,667
Cash on hand	-	1
Total	**515,731**	**750,668**

7. Trade receivables and others

	As at December 31, 2020	As at December 31, 2019
Municipality of Prishtina	540,480	310,462
Other receivables	17,039	22,063
Total	**557,519**	**332,525**

8. Prepayments

	As at December 31, 2020	As at December 31, 2019
Prepayment for EBRD	60,000	70,000
Other prepayments	6,804	16,473
Total	**66,804**	**86,473**

Prepayments for administrative expenses represent the amount that Trafiku Urban sh.a. has paid, which is 100,000 Euro, since the total amount of the loan is 10,000,000 Euro and it lasts 12 years, the company has decided to recognize that amount as an expense for the upcoming 10 years in the amount of 10,000 Euro per year.

9. Auto parts and inventory

	As at December 31, 2020	As at December 31, 2019
Inventory	208,656	62,464
Auto parts	545,354	144,292
Total	**754,010**	**206,756**

All amounts are presented in Euro

10. Property, plant and equipment

	Land	Buildings	Vehicles	Furniture and equipment	Total
Historical cost					
As at January 1, 2019	905,000	1,982,437	11,577,503	128,249	14,593,189
Additions during the year	-	-	-	-	-
As at December 31, 2019	**905,000**	**1,982,437**	**11,577,503**	**128,249**	**14,593,189**
Additions during the year	-	-	-	33,909	33,909
As at December 31, 2020	**905,000**	**1,982,437**	**11,577,503**	**162,158**	**14,627,098**
Accumulated depreciation					
As at January 1, 2019	-	296,069	1,245,217	10,289	1,551,575
Depreciation of the year	-	99,067	964,953	14,426	1,078,446
As at December 31, 2019	**-**	**395,136**	**2,210,170**	**24,715**	**2,630,021**
Depreciation of the year	-	99,067	961,464	34,023	1,094,554
As at December 31, 2020	**-**	**494,203**	**3,171,634**	**58,738**	**3,724,575**
Net book value					
As at December 31, 2019	**905,000**	**1,587,301**	**9,367,333**	**103,534**	**11,963,168**
As at December 31, 2020	**905,000**	**1,488,234**	**8,405,869**	**103,420**	**10,902,523**

Included in property plant and equipment is the value of land in the amount of 905,000 Euro and the value of the building in the amount of 1,488,234 Euro. For these assets the Company does not possess the ownership and supporting documents on the determined value.

All amounts are presented in Euro

11. Trade payables

	As at December 31, 2020	As at December 31, 2019
Trade payables	488,616	181,771
Total	**488,616**	**181,771**
Provision Expenses	37,259	36,726
Total	**525,875**	**218,497**

The company has lawsuits which were initiated by former employees of the company, lawsuits that are still pending since the approval date of these financial statements. The plaintiffs seek compensation in the matter of wages, not receiving their wages has caused damage to them. Until the approval date of the financial statements for the year 2020, according to the judicial council, the chances are that the company may lose in court and the value of the losses that may result from these lawsuits is 37,529 Euro.

12. Other liabilities

	As at December 31, 2020	As at December 31, 2019
VAT Payable	332,163	538,216
Pension tax/contribution payable	320,283	580,788
Salary payables	147,186	181,691
Other liabilities	11,387	15,272
Total	**811,019**	**1,315,967**

Obligations to employees and taxes represent the liabilities that the company has to employees' wages, pension contributions and tax on wages accumulated over the years. Payable for tax liabilities represent the tax payable and interest accrued over the years. On 15th of November 2019 the company has entered into an agreement with TAK, where according to the agreement the debt to TAK will be paid in 25 installments. The installment payment process continues according to the plan.

All amounts are presented in Euro

13. Loans

Short term loans, borrowings and overdrafts

	As at December 31, 2020	As at December 31, 2019
Short-term loans and overdrafts	1,020,638	1,106,031
Long-term loans	6,634,146	7,569,390
Total	**7,654,784**	**8,675,421**

The company has signed a loan agreement worth 10,000,000 Euro with the EBRD in 2016, according to which, EBRD has agreed to finance the purchase of 51 new buses for Trafiku Urban. This loan is guaranteed by the Government of the Republic of Kosovo. The loan was disbursed in two installments: the first installment 6,206,897 Euro and the second installment 3,793,103 Euro with variable interest. The loan repayment period is over 20 semi-annual installments starting from July 15, 2018 until January 15, 2028. The first two years of the loan were with a gray period.

14. Revenue from sales

	Year ended December 31, 2020	Year ended December 31, 2019
Revenues from ticket sales	1,553,151	2,843,441
Revenues from the Municipality of Prishtina	4,230,147	3,231,367
Contract revenues	26,870	
Total	**5,810,168**	**6,074,808**

Income from ticket sales - are recognized when the customer service is completed through the fiscal coupon, which coupons are then recorded as sales invoices in the name of the physical buyer (fiscal cash register) that allows to accurately record the sale of tickets based on the Z daily report. Complete registration of the report for the month means the income from the sale of tickets, including other agreements which may be submitted on request or by agreement / contract for the service performed

The company has entered into an agreement on July 19, 2018 with the Municipality of Prishtina, the latter compensates every kilometer for a certain price estimated in a monthly time manner. The compensation tariff is set at 2,136 Euro per kilometer in 2020. Therefore, the revenues from ticket sales belong to the Municipality. The amount from the kilometers traveled when calculated at a price per kilometer is deducted from the revenues collected from ticket sales and the municipality is billed by Trafiku Urban for the remainder. While the petty cash realized from the sale of tickets remains in the bank account of Trafiku Urban.

All amounts are presented in Euro

15. Other revenues

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue from rent	6,000	22,912
Other revenue	3,093	41,268
Revenues from state subsidies	160,000	-
Compensation claims	19,684	-
Total	**188,777**	**64,180**

16. Grant Income

In 2018, the Municipality of Prishtina has made a budget allocation for Trafiku Urban, financial support for the commissioning (covering administrative costs) of new buses that have been purchased on credit. The value of the subsidy was 1,618,354 recognized in 2019 after the process of payments to cover operating costs.

17. Personnel expenses

	Year ended December 31, 2020	Year ended December 31, 2019
Gross salaries	2,340,504	2,138,650
Contributions from employer	116,770	106,736
Total	**2,457,274**	**2,245,386**

All amounts are presented in Euro

18. Operating expenses

	Year ended December 31, 2020	Year ended December 31, 2019
Fuel expenses	1,034,898	1,295,805
Maintenance for cars	303,298	133,939
Workers' uniform	13,370	8,122
Utilities	20,558	17,283
AdBlue Expenses	22,192	26,403
GPRS subscription	6,064	7,940
Expenses for fiscal cash registers	4,154	15,792
Expenses for vehicles	23,856	26,437
Bus registration costs	34,041	36,521
Car wash expenses	17,055	4,180
Maintenance expenses	12,838	40,371
Other expenses	183,969	199,715
Total	**1,676,293**	**1,812,508**

19. Financial expenses

Financial expenses consist of interest expense on bank loans, credit lines and overdrafts including bank fees.

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expenses	95,620	100,414
Total	**95,620**	**100,414**

All amounts are presented in Euro

20. Tax expenses

	2020	2019
Profit before tax	675,204	2,517,515
Adjustments:		
Non-deductible expenses for tax purposes	2,649	16,302
Tax allowable depreciation	(1,804,795)	(2,656,489)
Taxable losses brought forward	(2,186,058)	(2,063,386)
Taxable loss	**(3,313,000)**	**(2,186,058)**
Current year tax expense	-	-

	2020	2019
Current year tax expenses	-	-
Deferred tax expense Note 21	180,797	102,133
Tax expenses for the year	**180,797**	**102,133**

According to the law on corporate income 06 / L / 10 the company is required to pay a rate of 10 % of taxable profit as calculated in the annual income tax return. In accordance with the law the tax loss can be carried forward to be reimbursed during the four upcoming years after the year in which that tax loss is caused.

21. Deferred tax assets and liabilities

Tax liabilities are calculated as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Carrying amount	10,902,519	11,963,168
Tax bearing value	7,133,246	10,001,868
Taxable temporary differences	**3,769,273**	**1,961,300**
Deferred tax liability 10%	**376,927**	**196,130**

The deferred tax liability was charged through income, profit and other comprehensive income for the year ended 31 December 2020, respectively 180,797 Euro (2019: 102,133 Euro). The deferred tax liability comes from the differences in the calculation of impairment for IFRS and TAK

All amounts are presented in Euro

22. Transactions with related parties

The parties are generally considered to be related if they are under joint control or one of the parties has the ability to control the other party or may exercise significant influence or joint control over the other party in making financial and operational decisions. When considering the possible relationship between related parties, attention is directed to the substance of the relationship and not just the legal form.

As at 31 December, the situation between the related parties is as follows:

Accounts Receivables		
Municipality of Prishtina	540,480	310,462
Sales		
Municipality of Prishtina	4,230,147	3,231,367
Salaries	35,396	53,665

23. Commitments and contingencies

(ii) Litigations

There are no open legal disputes and procedures against the company which are not considered normal during the development of its activity.

24. Categories of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities for each category are as follows

	Year ended December 31, 2020	Year ended December 31, 2019
Financial assets		
Loan and receivables (amortized costs)		
Receivables and others	557,519	332,525
Cash and cash equivalents	515,731	750,668
Total	**1,073,250**	**1,083,193**
Financial Liabilities		
Other liabilities (amortized costs)		
Payables and others	525,875	218,497
Loans	7,654,784	8,675,421
Total	**8,180,659**	**8,893,918**

25. Fair value and financial risk management

25.1. Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as an ongoing concern by maximizing returns to the shareholder through optimizing the debt balance and equity. The capital structure of the Enterprise consists of debt, which includes borrowings, and equity attributable to the equity holder, which includes equity issued and retained earnings.

25.2 Significant accounting policies

Details of significant accounting policies and approved methods including recognition criteria, measurement bases and bases on which income and expense are recognized in relation to each class of financial assets, financial liabilities and equity instruments are set out in Note 3 to financial statements.

25.3 Financial risk management objectives

The Company's activities expose it to a range of financial risks, including credit risk and risks associated with the effects of exchange rate fluctuations and interest rates. Company risk management focuses on market unpredictability and seeks to minimize potential negative effects on the Company's business performance.
Risk management is implemented by the Board of Directors based on several 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, interest rate risk, risk of credit, use of appropriate securities and excess liquidity investments.

25.4 Credit risk

The company is subject to credit risk through sales activities. For this reason, the credit risk for the Company arises from the inability of the parties to meet their contractual obligations. The amount of credit exposure in this regard is presented by the carrying amounts of the assets in the statement of financial position.
The maximum credit risk exposure is disclosed in Note 19 c). Trade receivables are monitored on a daily basis and customers are notified in a timely manner.
The carrying amount of financial assets recorded in the financial statements, which is the net value of impairment losses, if any, represents the Company's maximum exposure to credit risk

25.5 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 at appropriate maturities and interest rates, and the risk of not being able to liquidate an asset at a reasonable price and in a timely manner. fulfill obligations.

All amounts are presented in Euro

25. Fair value and financial risk management (continued)

25.5 Liquidity risk (continued)

The company monitors its liquidity on a monthly basis in order to manage its liabilities when they need to be paid. The contractual maturity of the Company's financial instruments as at 31 December 2020 and 2019 was as follows:

	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
December 31, 2020						
Liabilities						
Trade payables	210,350	289,231	26,294	-	-	525,875
Other liabilities	67,585	135,168	608,266	-	-	811,019
Loans	-	-	1,020,638	5,103,189	1,530,958	7,654,784
Total	**277,935**	**424,399**	**1,655,198**	**5,103,189**	**1,530,958**	**8,991,678**

	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
December 31, 2019						
Liabilities						
Trade payables	120,173	87,399	10,925	-	-	218,497
Other liabilities	109,664	219,326	986,977	-	-	1,315,967
Loans	-	-	1,020,638	5,103,189	2,551,595	8,675,421
Total	**229,837**	**306,725**	**2,018,540**	**5,103,189**	**2,551,595**	**10,209,885**

All amounts are presented in Euro

25. Fair value and financial risk management (continued)

25.5 Liquidity risk (continued)

Fair values of short-term assets and liabilities approximate their carrying amount due to their short-term nature. Fair value of loans approximates the fair value because they are loans with variable interest, the lender has given up all interest from the Company. The fair value of financial assets and liabilities is included in the amount at which the instrument can be exchanged in a current transaction between the parties in addition to a forced sale or liquidation.

	Carrying value		Fair Value	
	As at December 31,2020	As at December 31,2019	As at December 31,2020	As at December 31,2019
Financial Assets				
Accounts receivables	557,519	332,525	557,519	332,525
Cash and cash equivalents	515,731	750,668	515,731	750,668
Total	**1,073,250**	**1,083,193**	**1,073,250**	**1,083,193**

	Carrying value		Fair Value	
	As at December 31,2020	As at December 31,2019	As at December 31,2020	As at December 31,2019
Financial Assets				
Accounts payables	525,875	218,497	525,875	218,497
Loans	7,654,784	8,675,421	7,654,784	8,675,421
Other liabilities	811,019	1,315,967	811,019	1,315,967
Total	**8,991,678**	**10,209,885**	**8,9991,678**	**10,209,885**

All amounts are presented in Euro

25. Fair value and financial risk management (continued)

25.6 Fair value of financial instruments

The Company's management considers that the carrying amounts of financial assets and financial liabilities recorded at cost or amortized cost in the financial statements approximate their fair values due to their short maturity.

25.7 Interest rate risk consists

Interest rate risk consists of the risk that the value of the financial statements will fluctuate due to changes in market interest rates and the risk of a change between the maturity of interest-bearing assets and the maturity of interest-bearing liabilities received to finance those assets. The duration over which the interest rate on a financial instrument is fixed indicates the extent to which it is exposed to interest rate risk.

Management believes that the company is not exposed to interest rate risk in the financial statements except for borrowings who carry a fixed interest rate.

Management believes that the company is not exposed to interest rate risk in the financial statements because all borrowings carry a fixed interest rate changed for movements in EURIBOR.
Below is an analysis of financial assets and financial liabilities.

	As at December 31,2020	As at December 31,2019
Assets		
That carry no interest		
Accounts receivables	557,519	332,525
Cash and cash equivalents		1
Fixed interest rates		
Cash and cash equivalents	515,731	218,497
Liabilities		
That carry no interest		
Accounts payables and others	525,875	218,497
Loans	7,654,784	8,675,421

26. Events after the reporting date

Except as noted below, no other events or transactions have occurred since 31 December 2020 or are not expected to have a material effect on the Company's financial statements as at that date or for the period ended thereafter, or that have such significance in relation to the Company's operations to seek disclosure in a note to the financial statements.

COVID-19 impact on the company

Since the outbreak of the COVID-19 epidemic, the Company closely monitors the development of the situation at the local, European and global level. Furthermore, the Company monitors and implements the measures proposed by the Government of the Republic of Kosovo and its respective institutions, as well as additional preventive measures to protect its employees, suppliers and ongoing business processes.