

Lidhja Demokratike e Kosovës

**Annual Financial Statements with Independent Auditors' Report
thereon**

01 January 2017 - 31 December 2017

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Independent Auditors' Report

To the council of Lidhja Demokratike te Kosovës

Report on Special Purpose Financial Statement

Qualified Opinion

We have audited the financial statements of the Political Entity “**Lidhja Demokratike te Kosovës**” (hereinafter referred to as “Political Entity” or “LDK” or “PE”), which comprise the statement of financial position as at December 31, 2017, the statement of income and expenses for the year then ended and other explanatory information on pages 10-19.

In our opinion, except for the effects of the matters described in Basis for qualified opinion section, the financial statements present fairly, in all material respects, the financial position of the Political Entity as of 31 December 2017, and its income and expenses for the year then ended in accordance with the law no. 04 / L-212 on amending and supplementing the Law no. 03 / L-174 on Financing of Political Entities, amended and supplemented by Law No. 04 / L-058, Article 15 Financial Reporting.

Basis for qualified opinion

- As disclosed in Note 5 of the Statement of Financial Position, the political entity has stated fixed assets in property, plant and equipment on the net amount of 7,006.00 Euro for 2017 (25,632.31 Euro for 2016). During our auditing we found out that the PE had purchased equipment on the amount of 10,660.00 Euro and has declared them as direct expense thus underestimating the value of the stated assets and overestimating the value of expenses for the same amount. Given the nature of the records held by the political entity and in absence of supporting documentation, while applying standard and alternative procedures of auditing, we were unable to verify the unity, existence and the accuracy of the stated assets as at 31 December 2017.
- As disclosed in Note 8 of the Statement of Financial Position the political entity has stated accounts payable and others on the amount of 389,568.84 Euro (5,979.88Euro for 2016). From the confirmations received from third parties it results that the PE has underestimated the stated liabilities on the amount of 12,271.50 Euro. Given the nature of the records held by the political entity and in absence of supporting documentation, while applying standard and alternative procedures of auditing, we were unable to verify the unity, existence and the accuracy of the stated liabilities as at 31 December 2017
- As disclosed in the statement of income and expenses, the political entity has stated income from budget on the amount of 897,708.57 Euro for 2017

(942,522.00 Euro for 2016). During our audit we found out that the PE did not state on the annual financial report and did not recognize the funds received following the final approval of the Kosovo Consolidated Budget in the amount of 31,541.43 funds for the support of political entities that functions within the Central Election Commission - CEC. Also, the political entity did not declare the funds it had transferred to PE, Alternativa from the coalition as expenses. Consequently, the revenue and expenditure of the Political Entity are underestimated for 31,541.43 Euro for the year ended December 31, 2017

- As presented in the Statement of Income and Expenses, the political entity has stated income and expenses, in income from campaign, on the amount of 18,341.83 Euro while in the Campaign Disclosure Report it stated income from donation on the amount of 78,947.01 Euro. In absence of supporting documentation, while applying standard and alternative auditing procedures we were unable to verify whether the stated income declared by the political entity for the reporting period were accurate.
- As disclosed in the Statement of Income and Expenses, the political entity has stated campaign expenses on the amount of 1,709.376.65 Euro. Regarding these services we have not been presented with any report on the execution date, according to the personnel engaged to execute the services under the contracts, the specifics of the timely completed services or other data that would justify and testify of the performance of the service. Given the nature of the records held by the Political Entity, and in the absence of supporting documentation, we were unable, while applying standard and alternative audit procedures, to obtain reasonable assurance that expenses in the amount of 178,730.00 Euro were accurate and belong to this reporting period.
- As disclosed in the Statement of Income and Expenses, Note 2, the political entity has stated different expenses on the amount of 71,573.80 Euro which also included expenses for maintenance and repair on the amount of 7,070.00 Euro. Regarding these services we have not been presented with any report on the execution date, according to the personnel engaged to execute the services under the contracts. Given the nature of the records held by the Political Entity, and in the absence of supporting documentation, we were unable, while applying standard and alternative audit procedures, to obtain reasonable assurance that expenses in the amount of 7,070 Euro were accurate and belong to this reporting period.
- The political entity has maintained more than a single bank account throughout 2017 which is in violation of the legal requirements for financing of political entities, Article 13, Paragraph 2.

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 Political Entity in accordance with the ethical

requirements that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the following findings:

- The Political Entity has not maintained proper accounting to enable the recording of financial transactions and the preparation of financial statements according to the applicable accounting standards in Kosovo.
- The Political Entity for the conducted purchases did not apply any procurement procedures which would enable a more efficient, cost-effective, transparent and fair use of political entity funds
- The Political Entity has not defined in its Statute the possibility of exercising internal financial control and the right for its members to be informed of all revenues and expenses of political entities as well as the responsibly of relevant body for financial transaction as required by the law no. 04 / L-212 on amending and supplementing the Law no. 03 / L-174 on Financing of Political Entities, amended and supplemented by Law No. 04 / L-058, Article 17 Internal Control.
- The political entity, LDK, in some cases has used these funds for other purposes as well such as repair and maintenance of object which were are not registered under the ownership of the political entity.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Law No. 04/L-212 on amending and supplementing the Law no. 03/L-174 on the financing of Political Parties, amended and supplemented by law no. 04/L-058 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Political Party or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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


- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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.

Audit & Conto L.L.C


Muhamet Feka
Statutory Auditor
12 April 2019



Statements of Financial Position

Assets		31 December 2017	31 December 2016
Long-term assets	Notes	Amount in Euros	Amount in Euros
Property, plant and equipment	5	7,006.00	25,632.31
Intangible Assets			
Other long-term assets			
Total long-term assets		7,006.00	25,632.31
Current assets			
Accounts receivable	6	1,722.35	0.00
Prepayments			
Cash and cash equivalents	7	5,057.40	1,046,616.03
Other current assets			
Total current assets		6,779.75	1,046,616.03
Total Assets		13,785.75	1,072,248.34
Equity			
Accumulated Fund		1,038,396.47	566,946.61
Surplus / (deficit) of the year		(1,435,300.56)	471,449.86
Total Equity		(396,904.09)	1,038,396.47
Liabilities			
Long-term liabilities			
Loans payable			
Deferred revenue		7,006.00	25,632.31
Total Long-term liabilities		7,006.00	25,632.31
Current liabilities			
Accounts payable and others	8	389,568.84	5,979.88
Loans payable			
Other current liabilities	9	14,115.00	2,239.68
Total current liabilities		403,683.84	8,219.56
Total Liabilities		410,689.84	33,851.87
Total equity and liabilities		13,785.75	1,072,248.34

Statement of income and expenses

	Notes	Year ending on 31 st December	
		2017	2016
Income			
Income from budget		897,708.57	942,522.00
Income from membership			
Donations and cash contributions	3	0.00	0.00
Contributions in kind / goods and services	4		
Income from campaigns			
Income released from deferred revenues		18,626.31	27,006.54
Other income		18,341.83	17,337.00
Total Income for the year		934,676.71	986,865.54
Expenses			
Wages and salaries	2	220,317.91	200,308.26
Transportation expenses	2	53,017.06	35,874.12
Advertising, representation and conferences	2	203,188.91	111,240.12
Campaign expenses	2	1,709,376.85	22,036.50
Purchase of goods	2	15,665.24	4,483.02
General expenses	2	96,837.50	92,403.55
Other expenses	2	71,573.80	49,070.11
Total expenses for the year		2,369,977.27	515,415.68
Surplus / (deficit) for the year		(1,435,300.56)	471,449.86

1. General Information

Name of Political Entity: Lidhja Demokratike e Kosovës

Acronym: LDK

Council: Isa Mustafa (Chairman)

Finance Representative: Lutfi Zharku

Date of Establishment: 23 December 1989

Address: Prishtina

The financial statements of the PE Lidhja Demokratike e Kosovës have been prepared in accordance with the requirements of Law no. 04 / L-212 on Amending and Supplementing the Law no. 03 / L-174 on Financing of Political Entities, amended and supplemented by Law No. 04 / L-058, Article 15 Financial Reporting.

According to Article 19, Paragraph 2, Item 7 of Law no.04/L-212 on amending and supplementing Law Nr. 03/L-174 on Financing of Political Entities, amended and supplemented by Law Nr. 04/L-058, the registered political entity within five (5) business days from receiving the draft auditing reports has submitted the revised financial reports and explanations regarding errors and omissions identified by the auditors.

The Political Entity has had an additional current bank account until 26.03.2019 in addition to the main bank account in NLB Bank despite the legal requirements which oblige all political entities to only maintain one bank account. The current bank account opened near NLB bank the branch in Rahovec has been closed on 26 March 2019.

Note 5. Property, plant and equipment

	Balance at the beginning of the year (historical costs)	Purchases during the year	Accumulated depreciation	Depreciation during the year	Balance at the end of the year (NET value)
Land			////		0.00
Buildings					0.00
Vehicles	63,460.00	0.00	44,422.00	12,692.00	6,346.00
Office Equipment	25,393.32	0.00	22,853.99	2,539.33	0.00
Information technology equipment	20,161.80	0.00	17,666.82	2,494.98	0.00
Other Equipment	3,000.00	0.00	1,440.00	900.00	660.00
Total Property, plant and equipment	112,015.12	0.00	86,382.81	18,626.31	7,006.00

Note 6. Accounts Receivable

	31 December 2017 Amount in Euros	31 December 2016 Amount in Euros
Accounts Receivable	1,722.35	0.00
Total Accounts Receivable and Others	1,722.35	0.00

Note 7. Cash and cash equivalents

	31 December 2017 Amount in Euros	31 December 2016 Amount in Euros
Cash in bank	5,057.40	1,046,616.03
Cash in hand		
Total cash and cash equivalents	5,057.40	1,046,616.03

Note 8. Accounts payable and others

	31 December 2017 Amount in Euros	31 December 2016 Amount in Euros
Local vendor	389,568.84	5,979.88
Total accounts payable and others	389,568.84	5,979.88

Note 9. Other current liabilities

	Me 31 Dhjetor 2017 Shuma në Euro	Me 31 Dhjetor 2016 Shuma në Euro
Liabilities for salaries and taxes	0.00	2,239.68
Liabilities for rent	14,115.00	
Total other current liabilities	14,115.00	2,239.68

Note 3: Donations and cash contributions

Lidhja Demokratike e Kosoves has received donations and cash contributions for the year 2017 as follows.

Accepted by				Amount
Contributors	Address	ID Number	Date of contributions	In Euros
Hasan Preteni	Mitrovice		30.05.2017	500.00
Premtim Fazliu	Prishtine		01.06.2017	1,000.00
Gent Konjuhi	Prishtine		01.06.2017	1,000.00
Aulonë Memeti	Ferizaj		02.06.2017	1,000.00
Adrian Çoça	Prishtine		02.06.2017	893.00
Kastriot Jahaj	Prizren		02.06.2017	800.00
Lumir Abdixhiku	Prishtine		25.05.2017	1,000.00
Gent Beqiri	Prishtine		29.05.2017	1,000.00
Visar Vokrri	Prishtine		30.05.2017	1,000.00
Visar Vokrri	Prishtine		01.06.2017	1,000.00
Alban Hashani	Prishtine		02.06.2017	1,000.00
Gent Beqiri	Prishtine		02.06.2017	1,000.00
Lumir Abdixhiku	Prishtine		04.06.2017	608.50
Alban Hashani	Prishtine		05.06.2017	1,000.00
Elkos	Pejë	70142364	22.05.17	1,000.00
Elkos	Pejë	70142364	23.05.17	1,000.00
Elkos	Pejë	70142364	25.05.17	1,000.00
Elkos	Pejë	70142364	29.05.17	540.33
Ramiz Kelmendi	Pejë		01.06.17	1,000.00
Ramiz Kelmendi	Pejë		02.06.17	1,000.00
Total donations and cash contributions				18,341.83

The personal number of donors are known to the auditor and CEC, but according to Law No.03/L-172 on the protection of personal data, the number does not appear in Note 3.

Note 4. Contributions in kind / goods and services

Lidhja Demokratike e Kosoves has not disclosed the statements regarding in kind contributions / goods and services during 2017.

Note 2: Expenses

Expenses	Expenses in Euro	Payment in Euro	Outstanding amount in Euro
Wages and salaries			
Net wages and salaries	189,459.24	189,459.24	0.00
Pension contributions of the employee	10,100.57	10,100.57	0.00
Pension contributions of the employer	10,100.57	10,100.57	0.00
Personal Tax income	10,657.53	10,657.53	0.00
Other benefits			0.00
Total	220,317.91	220,317.91	0.00
Transportation expenses			
Borrowed motorized vehicles	1,380.00	630.00	750.00
Fuels	36,405.12	19,239.34	17,165.78
Airplane/bus/train/taxi etc. tickets	6,602.63	6,602.63	0.00
Car insurance and maintenance	5,025.91	3,953.91	1,072.00
Any other transportation expenses	3,603.40	3,603.40	0.00
Total transportation expenses	53,017.06	34,029.28	18,987.78
Advertising, representation and conferences			

Premises	2,083.70	2,083.70	0.00
Food			
Cultural and recreation activities	108,314.82	104,648.91	3,665.91
Radio and TV advertisements	2,295.62	2,295.62	0.00
Newsstands and newspaper advertisements			0.00
Other advertising, representation and conferences expenses	6,163.60	5,803.60	360.00
	84,331.17	77,724.57	6,606.60
Total advertising, representation and conferences expenses	203,188.91	192,556.40	10,632.51
Campaign Expenses			
Campaign expenses	1,709,376.85	1,353,098.63	356,278.22
Total campaign expenses	1,709,376.85	1,353,098.63	356,278.22
Purchase of goods			
Supply of office	14,924.24	14,423.24	501.00
Small equipment	741.00	741.00	0.00
Total purchase of goods	15,665.24	15,164.24	501.00
General expenses			
Rent of office space	64,202.79	50,087.79	14,115.00
Telephone, internet and mail	8,875.93	8,362.11	513.82

Electricity and other utilities (water and waste)	5,132.47	4,752.19	380.28
Depreciation expenses of long-term assets	18,626.31	18,626.31	0.00
Expenses related to in-kind contributions / goods and services		////////////////	
Total general expenses	96,837.50	81,828.40	15,009.10
Other expenses			
Maintenance of office space and equipment	11,616.46	11,398.43	218.03
Expenses not included in any other category	59,957.34	59,076.37	880.97
Total other expenses	71,573.80	70,474.80	1,099.00
Total expenses	2,369,977.27	1,967,469.66	402,507.61

Note 10: Payment over 5,000.00 Euros

Description	Paid to:			Amount	
	Natural/Legal Person	Address	ID Number	Date of Payment	Amount in Euro
Advertising	Butterfly	Prishtine	600368410	16.08.2017	10,000.00
Derivates	Fer Petrol	Drenas	600101164	Specification	6,500.00
Media Services	Global Mission	Podujeve	601195755	22.05.2017	27,715.00
Conference/rally	KD Events	Prishtine	600602173	Specification	64,214.10
Office rent	Selime Aliu	Shtime		01.03.2017	5,000.00
Food and beverages	King Hotel	Peje	600007430	02.06.2017	5,650.00
Food and beverages	Klas	Shtime	600315768	29.05.2017	6,000.00
Food and beverages	Lesna Trade	Prishtine	600348561	Specification	7,646.81
Food and beverages	Mendi	Suhareke	600581830	27.09.2017	7,000.00
Office supply	Online	Prishtine	600196241	25.05.2017	10,660.00
Derivate	Petrol-Oti-Slovenija	Prishtine	600112370	Specification	16,222.81
Food and beverages	Te Bujari	Prizren	600997285	Specification	5,850.00
Book printing	Timegate	Prishtine	600007159	Specification	5,070.00
Food and beverages	Ujëvara	Ferizaj	601540330	02.11.2017	5,928.00
Food and beverages	Ujeverat e Mirushes	Kline	600015615	Specification	5,450.00
Total payments over 5,000.00 Euro					188,906.72