

KUR "Hidrodrini J.S.C. Pejë
01.01.2009-31.12.2009



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FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT

For the year that ended on 31 December 2009

KUR "Hidrodrini" J.S.C. Pejë

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Abbreviation used:

ISA- International Standards of Auditing

ISA- International Standards of Accounting

KSA- Kosovo Standards of Accounting

TAK- Tax Administration of Kosovo

INDEPENDENT AUDIT REPORT
FOR MENAGEMENT OF KUR "Hidrodrini "J.S.C. Pejë

We have audited the financial statements of KUR "Hidrodrini J.S.C. Pejë which are included from Balance Sheet dated 31 December 2009, Income Statements, Statement of changes in equity and the Statements of cash flow for the year that ended and the summary of main accounting policies.

The responsibility of management is the preparation and fair presentation of these financial statements according to International Standards of Financial Reporting. This responsibility includes: the design, implementation and maintenance of internal control which is important for preparation and fair presentation of these financial statements which are free from material Our responsibility is to give an opinion for these financial statements based on our audit.

The audit means an examination based on tests including evidence that support the amount on financial statements. The audit also includes the evaluation of accounting policies which are used and the main evaluation which are done from management side and the general evaluation of financial statements presentation.

We have done an audit based on International Standards of Auditing and these standards require fulfilling the ethic request, to plan and to do the audit and to make sure that the financial statements are with out material mistakes.

Bases of giving an Opinion

Mainly income of KUR "Hidrodrini J.S.C. Pejë, are from primary activity through billing of water supply services in house hold sector, business sector and institutional sector. We could not see any mistakes or irregularity in billing, but also in actual period as in previous period is to worry the receivable of money, as result of this the Company has difficulties on wages distribution.

As is shows in article 2.4 a big part of total depreciation known in profit and losses of Company is related with land, impiants and equipment voices valued from independent evaluator on 01 January 2007.

For tax reasons, the Kosovarian rules for incomes taxes ask the using of historical costs as base of depreciation calculation, where the changes between the movable value of land, impiants and equipments voices and their tax base shows temporary tax changes, by crating deferred tax liabilities and in the same time deferred tax expenses. The Company as in previous years also in actual years has not known any deferred tax liability or deferred tax expenses in financial statements on 31 December 2009 where as result of lack in evidence we could not done our evaluation.

As is shows in article 4 of following financial statements, on 31 December 2009, the net movable value of land, impiants and equipments of Company is 19.652.00 Euro, which are moved in their cost minus accumulated depreciation and accumulated losses.

As is shows in article 6 of following financial statements, on 31 December 2009, receivable accounts and others are in amount from 3.807.822 Euro, net from provisions and bad debts in amount from 3.914.993 Euro, which are known by not fulfilling the conditions according to rules.

Opinion

Expect the reporting findings in below paragraph, we give our opinion that financial statements on 31 December 2009, shows in the right way in all material aspects the financial position of KUR ''Hidrodrini J.S.C. Pejë, and their operation result for actual year according to National Standards of Financial Reporting.

S.E. "UNIVERZUM AUDIT"

Besa Sahitaj Berisha – Statutory Auditor

Prishtinë

July, 2010

KUR "Hidrodrini J.S.C. Pejë
01.01.2009-31.12.2009

KUR "Hidrodrini "J.S.C. Pejë

BALANCE SHEET 31.12.2009

	2009	2008
Assets		
Fixed Assets		
Land, Impiants and Equipments	19,652,190.00	20,517,732.00
Total Fixed Assets	19,652,190.00	20,517,732.00
Circulating Assets		
Net Stocks	229,031.00	220,927.00
Receivable Accounts		
Other Net Require	3,807,882.00	3,368,903.00
Money and its Equivalence	314,435.00	379,990.00
Total Circulating Assets	4,351,349.00	3,969,820.00
Total Assets	24,003,539.00	24,487,553.00
Liability and Equity		
Equity		
Capital and Reserves	20,743,480.00	20,743,479.00
Accumulated Profit/Loss	(511,043.00)	(343,632.00)
Annual Profit/Loss	(577,495.00.)	(167,411.00.)
Total Equity	19,654,942.00	20,232,436.00
Liabilities		
Payable Accounts and Other	313,518.00	291,235.00
Payable Taxes	1,435,502.00	1,326,285.00
Deferred Incomes	2,584,858.00	2,625,538.00
Other Short Term Liabilities	14,719.00	12,058.00
Total Liabilities	4,348,597.00	4,255,177.00
Total Equity and Liability	24,003,539.00	24,487,553.00

Mr.Agron Tigani
Executive Director

Mr.Rasim Maloku
Senior Officer Financial

KUR "Hidrodrini "J.S.C. Pejë

INCOME STATEMENTS 31.12.2009

Operative Income	2009	2008
Income from Sale	2,290,485.00	2,053,692.00
Income from Grants	203,191.00	14,751.00
Other Operative Income	67,045.00	97,870.00
Income for Depreciation Assets	0,00	510,520.00
Total Income	2,560,721.00	2,676,832.00
Operative Expenses		
Wage Expenses	(832,016.00)	(730,223.00)
Maintenance	(114,091.00)	(134,313.00)
Electricity	(311,342.00)	(214,621.00)
Oil Expenses	(43,561.00)	(65,645.00)
Provision for Bad Debt	(639,311.00)	(562,383.00)
Chlorine Expenses	(10,356.00)	(14,620.00)
Extraordinary Expenses	(37,156.00)	
Other Operative Expenses	(130,960.00)	(109,488.00)
Depreciation Expenses	(1,019,423.00)	(1,012,952.00)
Total Operative Expenses	(3,138,216.00)	(2,844,245.00)
Profit/Loss before Taxes	(577,495.00)	(167,411.00)
Tax on Profit		
Annual Profit/Loss	(577,495.00)	(167,411.00)

Mr.Agron Tigani
Executive Director

Mr.Rasim Maluku
Senior Officer Financial

KUR "Hidrodrini J.S.C. Pejë
01.01.2009-31.12.2009

KUR "Hidrodrini "J.S.C. Pejë

STATEMANT OF CHANGES IN EQUITY 31.12.2009

	Share Holder Capital	Capital Reserves	Accumulated Profit/Loss	Total
On 31 December 2008	25,000.00	20,718,480.00	(511,043.00)	20,232,436.00
On 01 January 2009	25,000.00	20,718,480.00	(511,043.00)	20,232,436
Annual Profit/Loss			(577,495)	(577,495)
On 31 December 2009	25,000.00	20,718,480.00	(1,088,538.00)	19,654.94

Mr.Agron Tigani
Executive Director

Mr.Rasim Maluku
Senior Officer Financial

KUR ''Hidrodrini J.S.C. Pejë
01.01.2009-31.12.2009

KUR ''Hidrodrini ''J.S.C. Pejë

STATEMENTS OF CASH FLOW 31.12.2009

	2009	2008
Income from Sale	2,290,485.00	2,053,692.00
Other Income	67,045.00	97,870.00
Income from Grants	203,191.00	14,751.00
Total Income	2,560,722.00	2,166,313.00
Operative Expenses		
Wage Expenses	832,016.00	730,223.00
Maintenance Expenses	114,091.00	148,933.00
Electricity	311,342.00	214,621.00
Oil Expenses	43,561.00	65,645.00
Rent Expenses	1,569.00	1,440.00
Chemicals Expenses	10,357.00	14,620.00
Licensing Expenses ZRRUM	26,488.00	0.00
Extraordinary Expenses	37,156.00	-
Other Operative Expenses	102,903.00	93,428.00
Total Expenses	1,479,482.00	1,268,910.00
Operative Profit		
Working Capital	1,081,240.00	897,403.00
Receivable Accounts	(1,074,538.00)	(655,676.00)
Other Receivable Accounts	(3,753.00)	26,902.00
Stocks	(8,104.00)	(220,927.00)
Payable Accounts	22,284.00	
Payable Taxes	71,197.00	294,647.00
Cash Flow before Investment Activity	88,326.00	342,349.00
Cash on Investment Activity	(153,880.00)	(68,762.00)
Cash Flow after Investment Activity	(65,554.00)	273,587.00
Cash on Financial Activity		
Cash on 01.01.2009	379,990.00	106,402.00
Cash on 31.12.2009	314,435.00	379,989.00

Mr.Agron Tigani
Executive Director

Mr.Rasim Maloku
Senior Officer Financial

1. GENERAL INFORMATION FOR ENTITY

KUR "Hidrodrini J.S.C. Pejë, is Joint Stock Company incorporated on 29 May 2007 in Kosovo, according to corporatisation project of water sector in Kosovo, with business number 70433916 and fiscal number 600198867.

The address of main office is Route: "Gazmend Zajmi", No: 5, Pejë.

The beginning capital of Company is 25.000.00 Euro.

K.R.U."Hidrodrini" J.S.C. has its branch in:

K.R.U."Hidrodrini" J.S.C Klinë

K.R.U."Hidrodrini" J.S.C Junik

K.R.U."Hidrodrini" J.S.C Istog

Main activity of KUR "Hidrodrini J.S.C. Pejë and its branches is with the code 4100 – to collect, clean and to supply the water.

Objectives and audit spread

The audit is performed in harmonization with ISA. These standards require to plan and to execute the auditing and to issue a reasonable safety that the amounts presented on financial statements has not a bad claim or changes. Our audit includes the investigation of collected information to certify the amounts and information that are presented on financial statements. Also includes the investigation on accounting policies used, giving a particular importance how they are used from management and investigation on general presentation of entity accounts.

2. STATEMENTS OF MAIN ACCOUNTING POLICIES

2.1. Agreement Declaration

The financial statements are prepared according to ISA adopted to KAS.

2.2. Bases of preparation

The financial statements are presented in Euro. The financial statements are prepared according with convent of historical cost, but modified for presentation of property and equipments of revalued amounts.

The accounting policies are applied in consistent way and are consistent with that that are approved on previous financial year.

The preparation of financial statements according to ISFR requires the use of critic forecasts of accounting. Also require the management to profess their judgment on processes of application of accounting policies.

The reporting period of company include a twelve month period ended on 31 December of each year. The financial statements are prepared on comparative base by presenting in that way the saldo for that year and previous year.

2.3. Exchange rate

The reported currency of KUR ''Hidrodrini J.S.C. Pejë is European Union currency (EURO). Other transactions except Euros are registered according to exchange rate on date of transactions.

The foreign currency transaction are converted using the valid exchange rate on date of transaction. Any loss or profits that have to do with sums harmonization, payable or receivable are known on income statements.

2.4. Land and Equipments

Re evaluation of land, impiants and equipments is done by professional independent evaluator on 01 January 2007. Voices of land, impiants and equipments on 01 January 2007 are transferred by re evaluation being the real value on re evaluation date minus accumulated depreciation.

The effect of re evaluation is transferred in capital account. All the land, impiants and other equipments are shown as costs minus accumulated depreciation. The cost shows expenses which attributes direct to purchase.

One voice from equipment and machinery dispel from balance sheet when is sell or drown from using and when do not expect any benefit from them.

Adjustment and keeping will charge in operative statement when the expenses happen.

The annual charge for amortization is calculated by using the linear method for all categories of assets, land is not devaluated.

The rank of assets devaluation

- Office Equipments 10% - 20%
- Heavy Equipments 5% - 15%
- Buildings 1% - 2%
- Cars 5% - 20%

2.5. Money and its equivalence

Money and its equivalence are kept in balance sheet according to cost. For reason of cash flow statements, money includes money in cash and in bank.

2.6. Stocks

Stocks of KUR ''Hidrodrini J.S.C. Pejë are mainly stocks for maintenance and reserve equipments, related to water supply and network maintenance of water supply which are estimated with lower cost and net realized value, using the method of average price. These materials firstly are registered on stocks in the moment of bought and than are capitalized in the moment of installation in network of water supply. The net realized value is the average selling price in normal flow of business, minuses for cost of marketing and supply.

2.7. Receivable Accounts

Receivable Accounts are registered on balance sheet when sums are calculated as debt. The provision is known when there is enough evidence that the Company could not collect the expected sums. When one receivable is uncollected, it will be deleted to cont for receivable permission. The return of sums, deleted before, will be credited against other operative expenses in income statements.

2.8. Payable Accounts

Debts for payable sums are transferred with their cost.

2.9. Share holders capital

Share holders capital is composed by monetary value contributed by share holders.

2.10. Reserves

Reserves are known in the beginning of balance sheet between assets value and net value of beginning capital contributed from share holders of company.

2.11. Employees Benefits

The number of employees in KUR ''Hidrodrini J.S.C. Pejë in the end of the year for 2009 is 177 employees. In normal flow of business, the Company do its payments for its employees for pensional contributions and taxes in personal incomes which are calculated in base of gross wages according to rules on power. These expenses go to incomes statements for certain periods.

The Company has not any benefit after retirement of its employees.

During 2009 the Company had two employees died for which according to article 21.1 of regulation for labour relations of KUR ''Hidrodrini J.S.C. Pejë with decision for solidarity help is allowed the financial help to the family for three monthly wages.

2.12. Taxes

KUR ''Hidrodrini J.S.C. Pejë is asked to pay tax on profit for every financial period calculated in accordance with rules applicable for certain periods, VAT, taxes and contributions on personal incomes.

Based on Rule 2004/51 from Company is asked to pay the tax norm from 10% on taxed profit, calculated as in annual declaration of tax on profit.

In case of loss, according to rules, losses could be transferred in five coming years starting from the year when the loss happens.

2.13. Knowing of operative incomes

The company incomes are mainly incomes which are realized from primary activity of entity. The incomes are known when the profit by transaction is believable. The water billings are done every month within five days after the service is done. Sales are known as net sale and deductions when delivery is done and the transfer of risk and payments is done.

2.14. Expenses

Operative expenses are known in income statement in the moment when the service is done.

2.15. Grants

Grants from Consolidated Budget of Kosovo, are grants known with real value when there is reasonable safety that received grants will be used as attached conditions.

The government grants related to expenses are deferred and in income statements are known by expenses which are prepared to compensate.

The government grants given for land purchase, impiants and equipments are included in non moveable liabilities as deferred government grants credited for depreciation value in rectilinear base for related assets, while the unused part of the grant for capital investments is moved for next year.

2.16. Provisions

Provisions are known when the Company has an obligation as result of previous circumstances.

Provisions are revised in every date of balance sheet by regulating the best actual predictions.

2.17. Contingents and Liabilities

In financial statements we do not have contingents and liabilities presented. They are shown only if the possibility of happens is far away.

The contingent's assets are not known in income statements but they are shown when economic benefits are possible. The amount of contingents loss is known as provision if it is any possibility that the coming events to confirm that one liability is shown on date of balance sheet and the forecast of loss could be done.

3. The management of financial risk and capital

The management of risk of the company is included by Board of Directors. The company objectives when they manage with capital are to save the opportunities which the company to continue his work in the future.

3.1. Creditor Risk

Money and its equivalence of Company are mainly from saldo on Bank Accounts.

3.2. Market Risk

KUR ''Hidrodrini J.S.C. Pejë has not entered in transaction which means that to cover its exposition to price move which comes from its operation.

3.3. The Risk of Foreign Value

The risk of foreign value comes when the Company has receivable accounts or payable accounts as result of foreign transactions. But, the Company has not entered in these transactions which will be exposed to any risk of foreign value.

KUR "Hidrodrini J.S.C. Pejë
01.01.2009-31.12.2009

4. Land, Impiants and Equipments

Cost	Land	Buildings	Heavy Equipments	Transport vehicles	Other Equipments	Total
On 01.01.2009	2,303,500	2,354,509	16,436,858	1,619,539.64	81,475.83	22,795,882
Buying During the Year	750	789.74	124,956.46	25,995.92	1,388	153880.12
Sales						
	2,304,250	2,355,299	16,561,814	1,645,535.56	82,863.83	22,949,763
Accumulated Depreciation						
01.01.2009	0	217,659	1,439,986.52	590,792.72	29,409.49	2,277,848
Annual Depreciation	0	99,982.50	619,937.48	284,070.64	15,432.56	1,019,423.18
On 31.12.2009		317,641.50	2,059,924.00	874,863.36	44,842.05	3,297,270.91
Net Value on Books						
On 01.01.2009						
On 31.12.2009	2,304,250	2,037,657.24	14,501,890.46	770,672.20	38,021.78	19,652,491.68

In framework of heavy equipments category – the network of water supply are incorporated also the investments in the different locations in amount from 63.489.22 Euro.

KUR ''Hidrodrini J.S.C. Pejë
01.01.2009-31.12.2009

5. Stocks

	2008	2009
Main Store	822,632.11	750,398.90
Store Donation from German Bank	264,731.95	210,743.28
Store Donation from BKK	0.00	134,326.20
Total Stocks	1,087,364.06	1,095,468.38
Minus correction of assets	(866,437.00)	(866,437.00)
Total	220,927.06	229,031.38

During 2009 KUR ''Hidrodrini J.S.C. Pejë has received a donation from Consolidated Budget of Kosovo in amount from 134.326.20 Euro, which are spent for equipments and reserve equipments.

6. Receivable Accounts

Trade Receivables	2008	2009
Household Consumers		4,790,320
Consumers from Business Sector		2,365,825
Consumers from Institutional Sector		518,990
Consumers from NGO		30,740
Trade Receivable Accounts	6,631,338	7,705,875
Minus-Provisions from Bad Debt	(3,275,682)	(3,914,993)
	3,355,656	3,790,882

Other Receivables

Receivable from Employees		
Others	10,680	13,712
Prepaid Insurance	2,567	3,288
	13,247	17,000
Total Trade Receivable Accounts	3,368,903	3,807,822

KUR ''Hidrodrini J.S.C. Pejë
01.01.2009-31.12.2009

Others

Provision of bad debt accounts	2008	2009
On 01.01.2009	2,713,299	3,275,682
Permissions of bad debt during the year	562,383	639,311
On 31 December	3,275,682	3,914,993

(Euro)

7. Money and its Equivalence	on 31 December 2008	on 31. December 2009
Flow Accounts on Local Banks	376,744	311,086
Cash	3,246	3,349
Total Money on 31 December	379,990	314,435

8. Capital

Share Holders Capital

Share Holders Capital is in amount from 25,000.00 euro.

Liabilities

8. Payable Accounts	2008	2009
Local Suppliers	291,235	313,518
Foreign Suppliers	00.00	00.00
Total	291,235	313,518

KUR ''Hidrodrini J.S.C. Pejë
01.01.2009-31.12.2009

9. Deferred Incomes from Grants

	Me 01.01.2009
Deferred Incomes	264,988
Annual Received	158,748
Annual Depreciation	(57,904)
Total	365,832
Deferred Incomes	2,358,000
Annual Depreciation	(140,653)
Total:	2,217,347
Deferred Incomes Rodeko	1,679
Total Deferred Incomes on 31.12.2009	2,584,858

10. Payable Taxes

On 31 December 2009

Payable Tax on Wages	3,625
Declared VAT	1.431,876
Other Short Term Liabilities	14,719
Total Payable Taxes	1,450,220

KUR ''Hidrodrini J.S.C. Pejë
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10. Incomes	(euro)
Incomes from Water Billing	01.01.2009-31.12.2009
Incomes from Individual Sector	897,676
Incomes from Business Sector	332,199
Incomes from Institutional Sector	399,620
Incomes from Humanitarian Sector	30,637
Total	1,660,132
Billing from Canalization Income	
Incomes from Individual Sector	113,787
Incomes from Business Sector	48,836
Incomes from Institutional Sector	39,577
Incomes from Humanitarian Sector	2,391
Total	204,594
Income from Fixes Tariffs	425,758
Incomes from Government Grants	203,191
Other Incomes	67,075
Total Incomes	2,560,751

KUR ''Hidrodrini J.S.C. Pejë
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11. Wage Expenses

	2008	2009
Net Wages	695,464	792,396
Taxes and Pensional Contributions	34,759	39,620
Total	730,223	832,016

12. Other Operative Expenses

Licensing Expenses	26,488
Rent Expenses	1,569
Car Insurance Expenses	9,076
Telephone Expenses	6,630
Bank Provision Expenses	4,247
Marketing Expenses	4,644
Expenses on Land Taxes	1,736
Other Operative Expenses	76,571
Total Other Operative Expenses	130,960

Acknowledgement and evaluation for internal control & accounting

- We have chosen the distrust strategy or (independent tests) in an internal control. We have made conversations with appropriate level of management, observers and other personnel. We were inspecting documents, reports and electronic files, monitoring of control, special and internal applications.
- During audit procedures, according to that, what we have seen, we could conclude that here are controlled all daily and monthly reports and other financial documents of different levels starting from accountants, observers and executive director. These reports were approved by enterprise owner.

Is worth to mention that KUR ''Hidrodrini J.S.C. Pejë ends the year with a loss from (577.495) Euro which loss comes as result of depreciation expenses in amount from (1.019.423) Euro.

Even the loss is relatively high we could not say that the business flow is in danger as far as the operative profit before depreciation is in amount from 441.929 Euro.

We also made sure that

Accounts for accounting presentation are in accordance with presented and registered sums. The audit is completed in accordance with requested rules in audit instructions related with fulfilment of audit duties. All requested notes have been offered completed.

ENSURANCE OF EVIDENCE AND TESTS DURING AUDIT PROCES

In KUR ''Hidrodrini J.S.C. Pejë we have done tests through authentic evidence samples. The work of testing and ensuring evidences has been done mainly with the help of the staff, where we will present some of evidences and samples selected from the archives of the accounting books and other documentation which have been used during auditing.

- Agreement between the company and full time employees and contractors or staff which are engage during the project time
- Financial reports of projects which are implemented through the company
- National legislation, in special way those which belong to financial area
- Account documents and activities related to the company
- Each document which has to do with KUR ''Hidrodrini J.S.C. Pejë
- Confirmations from commercial banks ect.

