

DTC
A U D I T

■ “DTC Audit” SRL

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Certificat de înregistrare MD0086627 din 22.01.2009

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AUDITORS' REPORT

on the Financial Statements

prepared in accordance with National Accounting Standards

for the year ended December 31ST, year 2023

of the Non-Banking Credit Organization „PRIMINVESTNORD” LLC

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GENERAL INFORMATION

Non-Banking Credit Organization “Priminvestnord” LLC (“the Company”) was incorporated in September 20th 2007 year, according to the Certificate of Registration nr.MD 0065825 (identification number 1007607005994), issued by the Ministry of Information Development from Republic of Moldova, with the purpose of granting and managing loans, providing guarantees on loans and bank loans, make investments according to *the Law on non-banking credit organizations no.01 dated 16.03.2018*, approved by the Parliament of Rep.of Moldova.

Its registered address is: MD-3001, 81/1 Independentei street, Soroca, Republic of Moldova.

The Company's offices are located on:

- 81/1 Independentei street, Soroca, Republic of Moldova;
- 2 N.Filip street, Balti city, Rep.of Moldova;
- 6/1 Stefan cel Mare street, Telenesti city, Rep.of Moldova.

The Company's number of employees as at 31 December 2023 was 21 people.

For the revised year (2023), the top management team was comprised of:

- Avricenco Liviu – Chairman of the Board of Directors;
- Avricenco Liviu - Executive Director
- Rotari Liubovi – Chief Accountant;

Description of Business and Consumer loan products

Currently, the organization operates in the Soroca, Balti, Donduseni, Floresti, Falesti and Telenesti regions, offering loans to privates enabling them to repair their houses, loans for housing, agriculture, loans to businesses in order to foster trade and commerce. The main activity of this region is agriculture and commerce.

Company’s loan products are secured and unsecured business and consumer loans with maturity of not less than 1 month and not longer than 120 months; the loan amounts of not less than approximately 50 EUR and not more than approximately 30.000,00 EUR equivalent in MDL, and the annualized percentage rates (APR) in a range between 12% and 48% per annum depending on the loan amount, maturity and type of customer. Company aims to serve preponderant socially disadvantaged people.

All procedures of the company’s activity are established and described in the Internal Operational Handbook, approved by the board of the company.

Description of revenue base

The Company’s revenue consists of (i) loan agreement commission fees, which are charged for receiving, processing the loan application and issuing the loan, or modifying the valid loan conditions; (ii) interest, which is charged on the outstanding principal amount; and (iii) various fees applied in case of different breaches of loan agreement. Company business is built on the concept that the company needs only performing customers and wants to avoid situations with poorly performing or defaulting loans.

Therefore the majority of Company’s interest and fees income is coming from the normally performing customers. Fees applied in cases of different breaches are targeted, as a whole, to compensate the lost money that company should have otherwise received duly according to the original loan agreements.

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of the Non-Banking Credit Organization "PRIMINVESTNORD" LLC which comprise the statement of financial position (balance sheet) as at December 31, 2023, income statement, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with National Accounting Standards (NAS), with subsequent amendments.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements of the Non-Banking Credit Organization "PRIMINVESTNORD" LLC, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 National Accounting Standards, approved by the Order no.118 and 119 dated 6 august 2013 of the Ministry of Finance of Rep.Moldova, with subsequent amendments, and with normative acts approved by the National Commission for Financial Market and National Bank of Moldova.

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 organization or to cease operations, or has no realistic alternative, but to do so.

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

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as whose 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 ISA 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 ISA, 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 organization'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 concerns basis of accounting and, based the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue activity. 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 organization to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 provide those charged with governance a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable,

related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Other Matters

This report is addressed solely to the organization's shareholders, as a body. Our audit work has been undertaken so that we might state to the organization's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the organization and the organization's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Tatiana Nicora.

Tatiana NICORA

Licensed Auditor, Director

Certificate of audit qualification nr. AG 000194 issued on 08.02.2008

Certificate of audit qualification nr. APFN 0000078 issued on 19.11.2015

„DTC Audit” SRL

Registration no. 1905086

Digitally signed by Nicora Tatiana

Date: 2024.03.11 16:43:46 EET

Reason: MoldSign Signature

Location: Moldova



Chișinău, Republic of Moldova

March 11, 2024

O.C.N. „PRIMINVESTNORD” S.R.L.
BALANCE SHEET
PREPARED AS AT 31 DECEMBER 2023

	Notes*	2023 MDL	2022 MDL
ASSETS			
Cash in hand	2	797 461	445 057
Current bank accounts	2	1 989 194	1 256 234
Other cash equivalents		-	-
Investments in securities and shares		-	-
Changing the value of investments in securities and shares		-	-
Deposits with banks	3	8 323 815	8 110 974
Loans and borrowings to customers	4	39 565 407	38 621 254
Provisions for loans and borrowings impairment	5	- 4 438 033	- 4 469 242
Receivables on income accrued (interests on loans, commissions, interests on bank's deposit)	4	1 199 357	736 708
Provisions for interests on loans and borrowings	5	- 441 088	- 245 643
Property and equipment, intangible assets – net	6	5 368 476	4 807 639
Other assets	7	1 244 623	1 740 253
Total Assets		53 609 212	51 003 234
LIABILITIES			
Deposits for providing loans		-	-
Bank credits, loans and borrowings received	8	31 948 018	32 646 012
Due to interests on bank credits, loans and borrowings received	8	236 642	530 444
Other liabilities	9	527 410	288 009
Total Liabilities		32 712 070	33 464 465
SHAREHOLDERS' EQUITY			
Share capital		1 230 000	1 230 000
Unpaid capital		-	-
Withdrawn capital		-	-
Legal reserves		123 000	123 000
Other reserves		2 266 533	2 266 533
Correction of results from previous years		-	-
Retained earnings (uncovered loss) of previous years		12 656 817	13 919 236
Net profit (loss) for the year		4 620 792	x
Profit use of the year (Dividends prepaid)		-	-
Additional Capital		-	-
Difference on revaluation of long-term assets		-	-
Subsidies		-	-
Total Equity		20 897 142	17 538 769
Total Liabilities and Equity		53 609 212	51 003 234

These financial statements were authorized to be issued on 26 February 2024 by Organization's management represented by:

Avricenco Liviu, Executive director _____

Rotari Liubovi, Chief Accountant _____



* The accompanying notes are an integral part of these financial statements.

**O.C.N. „PRIMINVESTNORD” S.R.L.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes*	2023 MDL	2022 MDL
Interest income on granted loans and borrowings	10	9 072 986	6 974 880
Other interest income (interest on bank's deposit)		103 715	83 923
Interest expenses and similar charges related to bank credits, loans and borrowings received	11	3 311 531	3 245 050
Net result from the calculation and reverse of provisions for impairment of granted loans and borrowings	12	- 2 084 129	-1 654 726
Gross profit/ (loss)		3 781 041	2 159 027
Other operating income (commissions, penalties, other rendered services)	13	6 934 894	7 445 930
General and administrative expenses	14	5 527 706	5 850 846
Other operating expenses	15	511 604	162 620
Operating profit/ (loss)		4 676 625	3 591 491
Investment gain/ (loss) – net	16	-	-
Financial gain/ (loss) – net	17	710 168	-630 875
Profit/ (loss) of the period before tax		5 386 793	2 960 616
Income tax expenses	18	-766 001	-435 777
Net profit (loss)		4 620 792	2 524 839

These financial statements were authorized to be issued on 26 February 2024 by Organization's management represented by:

Avricenco Liviu, Executive director _____

Rotari Liubovi, Chief Accountant _____



* The accompanying notes are an integral part of these financial statements.

**O.C.N. „PRIMINVESTNORD” S.R.L.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Value at the end of 2022 year MDL	Increases MDL	Decreases MDL	Value at the end of 2023 year MDL
Share and additional capital				
Share capital	1 230 000	-	-	1 230 000
Withdrawn capital	-	-	-	-
Total Share and additional capital	1 230 000	-	-	1 230 000
Legal reserves	123 000	-	-	123 000
Other reserves	2 266 533	-	-	2 266 533
Total Reserves	2 389 533	-	-	2 389 533
Retained earnings (loss)				
Correction of results from previous years	-	-	-	-
Retained earnings (loss) of previous years	13 919 236	-	1 262 419	12 656 817
Net profit (loss) of current year	-	4 620 792	-	4 620 792
Total Retained earnings	13 919 236	4 620 792	1 262 419	17 277 609
Additional Capital	-	-	-	-
Difference on revaluation of long-term assets	-	-	-	-
Total Non-owner's capital	-	-	-	-
TOTAL Fund Balance and Reserves	17 538 769	4 620 792	1 262 419	20 897 142

These financial statements were authorized to be issued on 26 February 2024 by Organization's management represented by:

Avricenco Liviu, Executive director

Rotari Liubovi, Chief Accountant



O.C.N. „PRIMINVESTNORD” S.R.L.
CASH FLOW STATEMENT (Direct Method)
FOR THE YEAR ENDED 31 DECEMBER 2023

OPERATING ACTIVITIES	2023 MDL
1.1 Cash Flow	
Interest receipts	8 278 050
Interest payments	2 678 119
Other cash receipts related to operational activity	7 837 718
Payments to employees and social contributions	3 252 602
Other payments related to operational activity	3 745 633
Total 1.1	6 439 414
1.2 Increase (decrease) in assets	
Receipts from the repayment of loans and borrowings	34 375 433
Payments of granted loans and borrowings	37 171 848
Receipts from the bank deposits	-
Payments of bank deposits	897 590
Total 1.2	- 3 694 005
1.3 Increase (decrease) in liabilities	
Receipts of banks credit, loans and borrowings	6 168 125
Repayment of banks credit, loans and borrowings received	6 595 764
Other receipts	-
Total 1.3	- 427 639
NET CASH FLOW FROM OPERATING ACTIVITIES	2 317 770
 INVESTING ACTIVITIES	 -
Interests receipts	-
Proceeds from sale of non-current assets	-
Payments to buy non-current assets	-
Other cash receipts or payments	- 1 186 674
NET CASH FLOW FROM INVESTING ACTIVITIES	- 1 186 674
 FINANCING ACTIVITIES	 -
Deposit receipts of shares, issued shares	-
Other proceeds from financing activities	-
Payments for repurchase of quotas and shares	-
NET CASH FLOW FROM FINANCING ACTIVITIES	-
 NET CASH FLOW BEFORE EXTRAORDINARY ITEMS	 1 131 096
Extraordinary cash receipts or payments	-
TOTAL NET INFLOW	1 131 096
Effects of exchange rate changes	- 45 732
Cash and cash equivalents at the beginning of year	1 701 291
 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	 2 786 655

These financial statements were authorized to be issued on 26 February 2024 by Organization's management represented by:

Avricenco Liviu, Executive director _____

Rotari Liubovi, Chief Accountant _____



PRINCIPAL ACCOUNTING POLICIES

1 Basis of presentation

The accompanying financial statements have been prepared in accordance with National Accounting Standards and regulations set by the Ministry of Finance of the Republic of Moldova and National Commission for Financial Markets.

The accounting policy of the Organization is elaborated and approved according to the national regulations, based on the following fundamental accounting conventions:

- Going concern;
- Equality;
- Accrual basis.
- The accounting policy of the Company is prepared based on the:
 - Accounting and Financial Reporting Law No.287 from December 15, 2017;
 - Law on non-banking credit organizations no.1 from March 16, 2018, and subsequent amendments;
 - Tax Code No.1163 – XIII from April 24, 1997, and subsequent amendments;
 - National Accounting Standards and National Chart of Accounts approved by the Ministry of Finance of the Republic of Moldova on August 06th 2013, and subsequent amendments;
 - Legal framework issued by the National Commission for Financial Markets and National Bank of Moldova;
 - Internal regulations of the Organization.

Accounting records of the Organization are kept in official language, using the currency of the Republic of Moldova, that being the Moldovan Leu (MDL). The Organization uses the double recording accounting system, that requires to keep accounting of assets, equity, debts, costs, expenses and revenues based on accounts. Financial transactions are recorded in the Smart Credit Management software.

All economic facts are registered based on sources and summary documents. The Organization uses standard documents forms approved by the Ministry of Finance. When no standard forms exist, the Organization uses forms of documents approved by the management. Source documents are provided on paper and electronic.

The organization performs general inventory counts of assets and liabilities elements annually, according the Regulation on inventory counts approved by the Ministry of Finance and Ministry of Justice. The inventory of cash is done during every quarter of the current year.

Going concern

The Organization's management has made an assessment of the Organization's ability to continue as a going concern and is satisfied that the Organization has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Organization's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

**O.C.N. „PRIMINVESTNORD” S.R.L.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

Foreign currency translation

The financial statements are presented in Moldovan lei (“MDL”), which is the organization’s functional and presentational currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Translation differences on non-monetary items, such as equity investments classified as available-for-sale financial assets, are included in the fair value reserve in equity. The year-end and average rates for the year were:

	2023		2022	
	USD	Euro	USD	Euro
Average for the period	18.1607	19.6431	18.9032	19.8982
Year end	17.4062	19.3574	19.1579	20.3792

Intangible assets

Acquired computer software licenses are recognized as intangible assets on the basis of the costs incurred to acquire and bring to use the software. Amortization of software is calculated based on straight-line method, considering their service life according to each software description/benefits.

Depreciation is calculated on a straight-line basis over 3-5 years.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Organization, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Property, plant and equipment

Property and equipment and other assets are recorded at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of assets. The useful life of fixed assets is determined according to Catalogue of fixed assets and intangible assets. The assets’ residual value is determined for each asset particularly.

The assets’ residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use.

Items of tangible fixed assets that are retired or otherwise disposed of are eliminated from the balance sheet along with the corresponding accumulated depreciation. Any gain or loss resulting from such retirement or disposal is included within the current income statement. The assets’ repair is recognized either as a current expense or capitalized on the basis of the costs.

Intangible assets included the software INFCA maintained by Reality Soft (Romania) for non-banking credit organization and website. Intangible assets are stated at historical cost and are amortized using the straight-line method during their useful lives, which do not exceed five years.

Other assets

Inventories

The accounting of inventories is kept in quantity and value expression. Inventories are derecognized using the weighted average cost method. The inventory of tangible assets is done according to the Regulation of inventory, at least one time per year, for determining the real value of tangible fixed assets.

Inventory consists of fuel for own use, other materials and low value items. Inventories are stated at the purchase value. Small value items' residual value is not determined at initial recognition.

Accounts receivable

Accounts receivables include advances given, settlements with state budget/tax, receivable from employees.

Other current assets

Other current assets include other prepaid expenses (prepayment of office's insurance), maintenance fee of the software, account forms and other subscriptions.

Impairment losses on loans

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under these circumstances. Changes in assumptions may have a significant impact on the financial statements in the period assumptions change. Management believes that the underlying assumptions are appropriate and the organization's financial statements therefore present the financial position and results fairly. At the moment the provisions are created monthly, according to estimation of future losses from unpaid loans and receivables (related interest), which are recognized as non-performing loans (31st day overdue). Under reports the accountant calculates the amount of provision and accounts for them.

Provisions

Provisions are recognized when the Organization has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Organization expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Provisions are recognized according to Internal regulation nr.2 from February 12, 2020, and which is based on the "Regulation of classification of issued loan and related interests calculated by microfinance companies", approved and established by the National Commission for Financial Markets decision no.60/4/2019 from 16.12.2019. During 2023 year, the organization portfolio were tested to provision monthly, and created/posted to provision. The created provisions are included in the loss account.

Financial liabilities

All financial liabilities are initially accounted in acquisition cost, which also includes all expenses related directly with the purchase. Adjusted acquisition cost shall be used for all further reflections. The purchase price for short-term financial liabilities is generally equal to their nominal value, which is why short-term financial liabilities are reflected on the balance sheet in the sum deemed to be paid.

In order to calculate long-term financial liabilities' adjusted purchase price, they are accounted by the fair value of gained remuneration. A financial liability is categorized as being short-term, if the liability is due within twelve months from the date of the balance sheet; or if the undertaking does not have an unconditional right to postpone the fulfillment of the payment liability for longer than twelve months from the date of the balance sheet. Obligations that stem from a loan agreement with a repayment term of up to twelve months from the date of the balance sheet are reflected as short-term, on the condition that the term of the repayment lapses prior to the approval of the annual report.

Borrowings

Borrowings are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Subsequently borrowings are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Dividends

Dividends are not accounted for until they have been approved at the annual general meeting of the organization's shareholders. During 2023 year dividends were approved and paid in amount of 1.262.419,00 MDL.

Other liabilities

Social costs and employee's benefits

The Organization contributes in respect of its employees to the social and medical contribution at the statutory rates in force during the year at 33,0% (24% and 9%), based on gross salary payments. The cost of social contribution (24%) is charged to statement of revenue and expenses in the same period as the related salary cost.

The Company has no other obligation to provide pensions or other post retirement benefits to any of its management or staff, accordingly, no provision for future pension costs is required.

Income Tax

For 2023 year, according to the Income Tax Code the annual profits earned by Moldovan companies are taxed in Moldova at the rate 12%. Also the distribution of retained earnings is subject to the taxation at the rate 6% on the amount paid out as dividends. During 2023, according to the Tax Code, "PRIMINVESTNORD" LLC paid income tax, the amount was calculated based on taxable income of 2023 year. Income tax payable on profits, based on the applicable Moldovan tax law, is recognized as an expense in the period in which profits arise.

Income Recognition

Interest income is recognized to the extent that it is probable that the economic benefits will flow to the Organization and the interest income can be reliably measured. Operating revenue arising from the rendering of services comprises interest income on loans granted. Other operating income includes commission income in the form of penalties, etc.

Interest income and expense is recognized in income statement for all interest-bearing financial instruments. Fees and commissions are generally recognized on an accrual basis when the service has been provided. Other income is recognized on accrual basis at the moment of executing the respective transactions.

Liquidity risk

Liquidity risk is managed by each Organization. Organization's loan products are secured and unsecured business and consumer loans with maturity of not less than 1 month and not longer than 120 months; the loan amounts of not less than approximately 50 EUR and not more than approximately 30.000 EUR equivalent in MDL, and the annualized percentage rates (APR) in a range between 12% and 48% per annum depending on the loan amount, maturity and type of customer.

In order to manage our liquidity, the organization can place liquidity in current accounts, term deposits and liquid financial instruments.

Client fraud or incapability

A client with original fraud intention or inability to repay is the second biggest possible source of financial loss. Measures to mitigate that risk belong to specific Organization's knowhow and are not disclosed in Annual Report Annex.

The Organization uses personal identification, personal contact verification, employment verification, cross verification of public databases, social links and statistical analysis of performing / nonperforming clients (a scorecard) to make the credit approval / rejection decision.

Approximately 28% of new loan applications are rejected by Organization. Client incapability or nonperformance risk is mitigated by regulating loan product parameters (maximum loan amount, maximum loan duration, maximum monthly repayment in relation to the client's salary, and commission fee) that particular client qualifies for. Majority of new clients can get loans for up to a year, with a higher APR (annualized percentage rate) to cover the increased risk of loss. Returning clients' choice or products increases, depending on their individual performance. The APR is reduced and the maturity can also be lengthened for up to 18 months.

General risk management policies

The management constantly observes the following ratios, and if necessary, makes adjustments into operations, into credit policy or in finance management according to:

- CPI - customer performance index – is the ratio of actually duly repaid loan installments against expected (contractually required) repayments within a tolerance period for repayment delays, which is normally 30 days; CPI is measured by whole portfolio, by different loan products, by customer Organization's and by periods. CPI 100 means that all repayments are duly made, as expected according to the contracts. The Organization's target is CPI above 90 but it actually varies by loan product, customer Organization and even issuing offices (Moldovan regions).
- Organization's liabilities versus loan portfolio, where the target is to have loans portfolio increase faster than the Organization's liabilities;
- Debt collection rates;
- Number of operations performed by each employee, and time spent on various operations – to increase work efficiency;

- Organization’s actual performance versus the budgeted performance.

Organization reviews the risk identification and management policies and procedures according to the change of Organization’s activities and financial situation, several times a year. The usual review period is once a month, but extraordinary events (such as sharp exchange rate fluctuations or competition situation on the market) trigger immediate responses.

Loan Risk management

The Board and / or Credit Committee will assure a correct policy of administration of assets and liabilities. This policy defines the services of organization and market. It is part of the operational handbook.

Interest calculation

The Committee shall ensure that the interest rate on loans is set at a level sufficient to cover:

- Interest costs on funding
- Risk costs (1%),
- Eventual hedging costs,
- Administration expenses (6-12 %),
- and a ROE of at least 10% to have aprox. 33% equity in assets.

Thus at present the organization's management believes that the 12% – 48% annual interest rate on loans fulfil this goal.

The Committee must also ensure that the interest rate is fixed at a level comparable with other financial institutions in order not to lose existing customers and unattractive new ones.

Risk management in corruption

For businesses, corruption impedes business growth, escalates costs and poses serious legal and reputational risks. It also raises transaction costs, undermines fair competition, impedes long-term foreign and domestic investment, and distorts development priorities. Investors too understand that corruption can negatively impact value and pose financial, operational and reputational risks to their investments. (Source: UN Global Compact)

The organization’s business is prepared to deal with corruption. So, the organization annually performed an external audit of the financial statements, grant loans after decision of Credit Committee that considerably decrease some corruption problems.

2 Cash in hand, current bank accounts and other cash equivalents

Cash includes cash in hand, current accounts in banks and other cash equivalents in Moldovan Lei / MDL , EUR and USD.

	December 31, 2023	December 31, 2022
	MDL	MDL
Cash in hand	797 461	445 057
Current at bank	1 301 820	864 906
Cash at bank - foreign currency	687 374	391 328
Other cash	-	-
TOTAL	2 786 655	1 701 291

3 Deposits with banks, receivables on income accrued

	December 31, 2023 MDL	December 31, 2022 MDL
Deposits at BC “EuroCreditBank” SA	8 323 815	8 110 974
TOTAL	8 323 815	8 110 974
Receivables on income accrued (interests on bank’s deposit)	10 532	8 059
TOTAL	10 532	8 059

4 Loans and borrowings to customers, receivables on income accrued

	Short-term		Long-term		Total, at Dec 31, 2023	
	<i>secured</i>	<i>unsecured</i>	<i>secured</i>	<i>unsecured</i>	<i>secured</i>	<i>unsecured</i>
Agriculture/ food industry	-	115 902	1 136 061	3 168 208	1 136 061	3 284 110
Real estate/ Development	-	180 680	2 413 208	10 530 055	2 413 208	10 710 735
Consumer loans	-	2 518 469	61 646	15 000 106	61 646	17 518 575
Industry / Trade	-	40 327	1 540 611	1 648 155	1 540 611	1 688 482
Other purposes	-	118 247	168 624	925 108	168 624	1 043 355
Total loans and borrowings	-	2 973 625	5 320 150	31 271 632	5 320 150	34 245 257
Receivables on income accrued (interests on loans)						926 313

Loans are granted by individuals and companies under the loan agreements. The number of loan beneficiaries at 31.12.2023 was 1585 persons.

The maximum amount of the loan to a beneficiary at 31.12.2023 was:

- a) 600 000 MDL – secured loans;
- b) 400 000 MDL – unsecured loans.

All loans and receivables are recognized in the balance sheet when cash is advanced to borrowers.

A credit risk allowances for loan impairment is established if there is objective evidence that the Organization will not be able to collect all amounts due. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and current economic climate in which the borrowers operate. The methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Nevertheless, it is possible, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. When a loan is uncollectible, it is written off against the related allowances for credit losses; subsequent recoveries are credited to the income statement.

5 Provisions for loans and borrowings impairment and for interests on loans and borrowings (at December 31, 2023)

Loans/ interests categories	Value, MDL		Quota (%)		Provision, MDL	
	Loan	Interest	Loan	Interest	Loan	Interest
A	1	4	5	6	7=1*5	8=4*6
Standard	14 912 242	185 880	2	2	298 245	3 718
Watch	20 820 373	270 875	5	5	1 041 019	13 544
Sub-standard	641 756	32 543	30	30	192 527	9 763
Doubtful	711 985	57 381	60	60	427 191	34 429
Loss	2 479 051	379 634	100	100	2 479 051	379 634
Total	39 565 407	926 313	x	x	4 438 033	441 088

The assessment of provisions requires the application of management's judgment and estimates, as to the probability of an outflow of resources, the probability of recovery of resources from corresponding sources including security or collateral or insurance arrangements where appropriate, and the amounts and timings of such outflows and recoveries, if any. This judgement are included into Internal regulations of the Company nr.2 from February 12, 2020, and and which is based on the "Regulation of classification of issued loan and related interests calculated by microfinance companies", approved and established by the National Commission for Financial Markets decision no.60/4/2019 from 16.12.2019. During 2023 year, the organization's portfolio were tested to provision monthly, and created/posted to provision. The created provisions are included in the loss account.

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6 Investment property, Property, plant, equipment and intangible assets

	Assets at the end of 2022		Additions		Disposals		Assets at the end of 2023		Accum. depreciation 2023		Net book value, at the end of 2023	
	MDL	MDL	MDL	MDL	MDL	MDL	MDL	MDL	MDL	MDL	MDL	MDL
<i>Investment property (mortgage real estate for sale)</i>	-	-	-	-	-	-	-	-	-	-	-	-
Property, plant, equipment:	5 937 865	956 470	88 356	6 805 979	1 456 328	5 349 651	2 091 853	2 091 853	1 456 328	5 349 651	2 091 853	5 349 651
Land	1 287 343	804 510	-	2 091 853	-	2 091 853	-	-	-	2 091 853	-	2 091 853
Buildings under construction	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	2 133 180	100 000	-	2 233 180	-	2 233 180	-	-	205 180	2 028 000	-	2 028 000
Car and vehicles	2 064 552	-	-	2 064 552	-	2 064 552	-	-	1 037 678	1 026 874	-	1 026 874
Machinery and equipment	275 771	38 494	22 790	291 475	-	291 475	-	-	155 730	135 745	-	135 745
Other fixed assets	177 020	13 466	65 566	124 920	-	124 920	-	-	57 740	67 180	-	67 180
Intangible assets:	366 431	-	-	366 431	-	366 431	-	-	347 606	18 825	-	18 825
Web design branding	225 903	-	-	225 903	-	225 903	-	-	207 078	18 825	-	18 825
Computer software	140 528	-	-	140 528	-	140 528	-	-	140 528	-	-	-
Total Assets	6 304 297	956 470	88 356	7 172 410	1 803 934	5 368 476	1 803 934	5 368 476	1 803 934	5 368 476	1 803 934	5 368 476
Less accumulated depreciation	1 496 658	395 632	88 356	1 803 934	x	1 803 934	x	1 803 934	x	1 803 934	x	x
Net book value	4 807 639	x	x	5 368 476	x	5 368 476	x	5 368 476	x	5 368 476	x	x

7 Other assets

	At the end of year 2023	At the end of year 2022
Materials	-	140
Small value items, net value	31 640	58 843
Payments in advances	75 655	107 154
Settlements with state budget	9 268	155 694
Other current receivables	413 992	248 161
Prepaid expenses	56 913	64 301
Other current assets (incl. commissions and claims to loans, other receivables and interests on loans and borrowings received, paid in advance)	657 155	1 105 960
Total Other assets	1 244 623	1 740 253

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8 Bank credits, loans and borrowings received / Accrued Interest	Ending balance, year 2023 MDL	In foreign currency EUR / USD	Ending balance, year 2022 MDL	In foreign currency EUR / USD
Long-term bank credits, loans and borrowings, including:				
- Credit contract nr.7670/06.03.2017, nr.7929/16.10.2017 and nr.49504/2021 BC “Eximbank” SA	-	-	888 899	-
- Credit contract nr.194/643 (21), BC “Moldindconbank” SA	-	-	278 183	-
- Credit contract nr.18/19 and 74/21-ECBH, BC “EuroCreditBank” SA	7 870 600	-	5 500 000	-
- AEI Microimprumut, Credit contract CRC 04013304	1 250 705	-	2 786 190	-
- HELENOS SA Credit contract	1 935 740	100 000 EUR	2 037 920	100 000 EUR
- ENVEST Microfinance fund, Credit contract	5 221 860	300 000 USD	5 747 370	300 000 USD
- Experimental credit contract dated 22.05.2014, KIVA Microfond, California Non-Profit Public Benefits Corp.	9 960 609	572 245 USD	7 692 856	401 550 USD
- Loans and borrowings contracts, individuals	5 708 504	-	7 714 594	-
Total bank credits, loans and borrowings received	31 948 018	-	32 646 012	-
Accrued Interest on:				
- Credit contract nr.7670/06.03.2017, nr.7929/16.10.2017 and nr.49504/2021 BC “Eximbank” SA	-	-	4 554	-
- Credit contract nr.194/643 (21), BC “Moldindconbank” SA	-	-	709	-
- Credit contract nr.18/19 and 74/21-ECBH, BC “EuroCreditBank” SA	85 328	-	61 894	-
- AEI Microimprumut, Credit contract CRC 04013304	-	-	-24 159	-
- HELENOS SA Credit contract	8 125	420 EUR	- 6 976	-342 EUR
- ENVEST Microfinance fund, Credit contract	42 919	2 466 USD	48 813	2 548 USD
- Loans and borrowings contracts, individuals	100 270	-	414 474	-
Total Interests on loans and borrowings received, paid in advance	-	-	-31 135	-
Total Interests on bank credits, loans and borrowings received	236 642	x	530 444	x

Current and long-term liabilities are recorded at the amount of proceeds expected to be paid to satisfy these liabilities in the normal course of activities.

Long-term loans are stated at cost, interest payable on these is included in the result for the corresponding period.

9 Other liabilities

	Ending balance, year 2023	Ending balance, year 2022
	MDL	MDL
Unearned revenue	195 356	160 897
Trade payables	24 665	13 044
Received advance	-	-
Payables to employees	-	-
Social contributions payable	434	-
Payables to state budget	178 980	3 289
Other payables	127 975	110 779
Total Other liabilities	527 410	288 009

10 Interest income on granted loans and borrowings

	2023	2022
	MDL	MDL
Interest income on granted loans and borrowings	9 072 986	6 974 880

11 Other interest expenses

	2023	2022
	MDL	MDL
Interest expenses on granted credits, loans and borrowings	3 311 531	3 245 050
Total Other interest expenses	3 311 531	3 245 050

12 Net profit/ (loss) on provisions recognition/derecognizing

	2023	2022
	MDL	MDL
Provisions derecognizing income	5 439 380	6 191 854
Provisions recognition expenses	7 523 509	7 846 580
Total Net profit/ (loss)	- 2 084 129	-1 654 726

13 Other operating income

	2023	2022
	MDL	MDL
Commissions	4 978 210	6 300 824
Penalties, fines	1 020 279	1 132 670
Other income	936 405	12 436
Total Other operating income	6 934 894	7 445 930

14 General and administrative expenses

	2023	2022
	MDL	MDL
Administrative staff and management costs	3 479 159	3 583 417
Depreciation of fixed assets and maintenance	471 484	478 340
Taxes, duties and fees, other than income tax	21 017	15 914
Travel	1 550	2 110
Other general and administrative expenses	1 554 496	1 771 065
Total General and administrative expenses	5 527 706	5 850 846

15 Other operating expenses

	2023	2022
	MDL	MDL
Fines and penalties	434	20
Other expenses	511 170	162 600
Total Other operating expenses	511 604	162 620

16 Investment gain/ (loss) – net

	2023	2022
	MDL	MDL
Gain:		
Gain on disposal of property and equipment	-	100 000
Loss:		
Loss on disposal of property and equipment	-	100 000
Net Investment Profit / (Loss)	-	-

17 Financial profit/ (loss) - Net

	2023	2022
	MDL	MDL
INCOME		
Foreign exchange gain	2 743 190	1 490 263
Other	-	-
LOSS		
Foreign exchange loss	2 033 022	2 121 138
Net Financial Profit / (Loss)	710 168	-630 875

18 Income tax expenses

	2023	2022
	MDL	MDL
Current income tax expenses	766 001	435 777
Income Tax Expenses	766 001	435 777

Signed by Organization’s management:

Avrincenco Liviu, Executive director

Rotari Liubovi, Chief-accountant

