

Independent Auditor's Report

To: Shareholders of O.C.N. "Mikro Kapital Company" SRL

Opinion

We have audited the accompanying financial statements of O.C.N. "Mikro Kapital Company" SRL ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, including a summary of significant accounting policies and other explanatory notes.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Group Auditor Instructions. Our responsibilities under those standards are further described in the *Auditor's responsibility for the audit of 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)* together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Moldova, including the law 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.

Emphasis of matter

As described in Note 1.1 of the financial statements and following the Coronavirus outbreak in 2020 the Company has implemented an emergency working plan in order to minimize the impact of the pandemic on the Company. The Company's performance, however, closely depends on the duration of this outbreak, the effective measures taken by the general public and the authorities in curbing the outbreak. The economic consequences and uncertainties resulting from the Coronavirus itself or from actions taken by governments and the private sector to respond to the outbreak may have an impact on various financial indicators and ultimately on the Company's going concern. As of 31 December 2020, the coronavirus outbreak is still active, severely affecting some local and global industries, slowing the entire economy. Our opinion is not modified in respect of this matter.

Other matters

This report is addressed exclusively to the Company's shareholders. Our audit was conducted to report to the Company's shareholders those matters that need to be reported in the financial audit report, and not for other purposes. To the fullest extent permitted by applicable law, we do not accept and do not assume liability to anyone other than the Company and the Company's shareholders for our audit, for this report, or for our opinion. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, 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 Company's ability to continue as 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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibility for the audit of financial statements

The objectives of our audit 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 planning and performance of 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 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 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 are required to 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.

Grant Thornton Audit S.R.L.
Chisinau, Republic of Moldova
23 March 2021

Grant Thornton

O.C.N. "Mikro Kapital Company" SRL
FINANCIAL STATEMENTS
For the year ended 31 December 2020
(All amounts in Moldovan Lei (MDL) unless otherwise stated)

Statement of profit and loss and other comprehensive income

	Note	2020	2019
Interest income		77,476,322	59,421,638
Interest expense		(26,367,600)	(25,922,875)
Net interest income	4	51,108,722	33,498,763
Fee and commission income		630,945	605,979
Fee and commission expense		(19,640)	-
Net fee and commission income	5	611,305	605,979
Net financial income		51,720,027	34,104,742
Allowance for loan impairment	12	(10,513,591)	(1,545,612)
Total net income		41,206,436	32,559,130
Net gain/(loss) from loans written-off	6	(2,627,489)	(66,278)
Other expenses	7	(8,682,822)	(8,448,853)
Staff and management expenses	8	(15,808,247)	(12,638,258)
Depreciation and amortization		(2,988,051)	(1,956,101)
Total operating expenses		(27,479,120)	(23,043,212)
Net financial profit/(loss)	9	(1,840,245)	(1,920,476)
Profit before tax		9,259,582	7,529,164
Income tax expense	10	(1,054,632)	(2,490,765)
Profit for the year		8,204,950	5,038,399
Other comprehensive income		-	-
Total comprehensive Income		8,204,950	5,038,399

The accompanying notes are an integral part of these financial statements.
The financial statements were authorized for issue on 23 of March 2021 by:



O.C.N. "Mikro Kapital Company" SRL
FINANCIAL STATEMENTS
For the year ended 31 December 2020
(All amounts in Moldovan Lei (MDL) unless otherwise stated)

Statement of financial position

Assets	Note	31 Dec. 2020	31 Dec. 2019*
Cash and cash equivalents	11	20,273,249	6,282,411
Loans granted to customers	12	351,883,841	271,172,761
Other assets and receivables	13	3,303,065	900,011
Financial investment	14	11,431,138	623,700
Property and equipment*	15	8,500,739	4,094,448
Intangible assets*	16	785,376	758,830
Total assets		396,177,408	283,832,161
Liabilities			
Trade and other liabilities	17	3,515,050	2,577,430
Lease liability	18	6,230,366	2,538,824
Borrowings from banks and other parties	19	294,330,572	216,710,321
Advances from customers	20	4,025,837	3,459,399
Provisions	21	1,764,905	777,851
Deferred tax liabilities	22	1,019,972	118,779
Total liabilities		310,886,702	226,182,604
Equity			
Share capital		73,454,605	54,018,406
Legal reserve		2,700,920	2,700,920
Retained earnings		9,135,181	930,231
Total equity	23	85,290,706	57,649,557
Total liabilities and equity		396,177,408	283,832,161

All amounts marked * in Financial Statements were reclassified as disclosed in Note 2 c).

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Statement of changes in equity

	Share capital	Reserves	Retained earnings	Total equity
Balance at 1 January 2019	47,239,325	-	(1,407,248)	45,832,077
Transactions with owners	6,779,081	-	-	6,779,081
Result of the year	-	-	5,038,399	5,038,399
Transfers to reserves	-	2,700,920	(2,700,920)	-
Balance as at 31 December 2019	54,018,406	2,700,920	930,231	57,649,557
Balance at 1 January 2020	54,018,406	2,700,920	930,231	57,649,557
Share capital increase	19,436,199	-	-	19,436,199
Transactions with owners	19,436,199	-	-	19,436,199
Result of the year	-	-	8,204,950	8,204,950
Transfers to reserves	-	-	-	-
Balance as at 31 December 2020	73,454,605	2,700,920	9,135,181	85,290,706

During 2020 the share capital was increased by the main shareholder Securitization Fund ALTERNATIVE. from MDL 54,018,406 to MDL 73,454,605– increase by EUR 1M (MDL 19,436,199).

In accordance with local legislation, a minimum of 5% out of the Company's net statutory profits must be allocated to the legal reserves until this represents 10% out of the Company's share capital without possibility to be distributed to the shareholders.

At the end of 2020, the Company did not create any further legal reserve, but as it is presented in the **Note 26 - Subsequent events**, the amount of MDL 2,000,888 was booked subsequently in 2021.

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FINANCIAL STATEMENTS
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Statement of cash flows

	2020	2019
Operating activities		
Net profit	8,204,950	5,038,399
Income from dividends	(108,408)	(235,716)
Income tax expenses	1,054,632	2,490,765
Allowances for loans	10,513,591	1,545,612
Untaken holiday provision	274,901	175,088
Provision expense	712,153	-
Depreciation and amortization	2,988,051	1,956,101
Interest and fee expense	26,387,240	25,922,875
Net cash flows from operating activities before changes in operating assets and liabilities	50,027,110	36,893,124
<i>(Increase)/decrease in operating assets</i>		
Lease and loans receivables	(91,224,670)	(62,427,537)
Trade and other receivables	(174,877)	502,520
<i>Increase/(decrease) in operating liabilities</i>		
Trade and other payables	4,629,161	632,169
Customer advances	566,439	1,417,215
Net cash flows from operating activities before income tax	(36,176,838)	(22,982,509)
Income tax paid	(2,381,616)	(2,992,442)
Net cash from operating activities	(42,249,995)	(25,974,951)
Investing activities		
Purchase of property, plant and equipment	(7,159,991)	(1,276,546)
<i>Out of which Right of use according to IFRS 16</i>	<i>(5,472,823)</i>	<i>(989,523)</i>
Purchase of other intangible assets	(260,898)	(1,172,874)
Financial investments	(10,807,438)	(13,680)
Dividends received	108,408	235,716
Net cash used in investing activities	(18,119,919)	(2,227,384)
Financing activities		
Proceeds from borrowings	173,847,225	127,839,013
Repayment of borrowings	(113,080,338)	(100,377,420)
Payment of interest	(9,533,877)	(11,677,974)
Proceeds from issue of share capital	19,436,199	6,779,081
Net cash from (used in) financing activities	70,669,209	22,562,700
Net change in cash and cash equivalents	13,990,837	(5,639,634)
Cash and cash equivalents, beginning of year	6,282,411	11,922,045
Cash and cash equivalents, end of year	20,273,249	6,282,411
Net increase/ (decrease) in cash and cash equivalents	13,990,838	(5,639,634)