Financial Company
IUTE CREDIT MACEDONIA
DOOEL - Skopje

INDEPENDENT AUDITOR'S REPORT AND SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2022

Skopje, May 2023

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF Financial Company IUTE CREDIT MACEDONIA DOOEL - Skopje

Report on the Special Purpose Financial Statements

We have audited the accompanying special purpose financial statements of Financial Company IUTE CREDIT MACEDONIA DOOEL – Skopje ("the Company"), which comprise Statement of Financial Position as at 31 December 2022, and the Statement of Comprehensive Income, Statement of changes in equity and Cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the International Financial Reporting Standards as adopted by EU with a purpose to respond to a request of the Luxembourg financial sector in its capacity as guarantor of a senior secured bond to be issued by IuteCredit Finance S.à r.I. and for such internal control as management determines is necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with the Audit Law and International Standards on Auditing which are accepted and published in the Official gazette of the Republic of Macedonia (79/2010). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special purpose financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the special purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE
SHAREHOLDER OF
Financial Company IUTE CREDIT MACEDONIA DOOEL - Skopje

Opinion

In our opinion, the special purpose financial statements present fairly, in all material respects, the financial position of Financial Company IUTE CREDIT MACEDONIA DOOEL – Skopje as of 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Emphasis of matter

Without qualifying our opinion, we turn our attention to Note 24.a. stating that as of 31 December 2022, in accordance with the Security Agent Agreement between IUTE Credit Finance S.A.R.L Luxembourg and Greenmark Restriction Solutions GMBH Germany, IUTE Credit Macedonia has pledged its loan receivables and has issued a promissory note in the form of a guarantee in favor of Greenmark Restriction Solutions GMBH Germany, with which it accepts all liabilities arising from bonds issued by IUTE Credit Finance S.A.R.L. , in the amount of EUR 125 million. Based on the attached financial statements, as of December 31, 2022, the total assets of the Company amount to EUR 30 million.

Other Matter – Restriction on Use

The special purpose financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by EU with a purpose to respond to a request of the Luxembourg financial sector in Company's capacity as guarantor of a senior secured bond to be issued by IuteCredit Finance S.à r.l.. The special purpose financial statements and related auditor's report may not be suitable for another purpose.

Skopje, 22 May 2023

Certified Auditor	**Manager and Certified Auditor**
Milena Jovanova Dimoska	Antonio Veljanov

Друштво за ревизија МУР СТИВЕНС ДОО Скопје

	Note	2022 (000) MKD	2021 (000) MKD
Interest and commission income for:			
Loans to other clients	7	901,191	708,604
Deposits in banks and saving houses		-	-
		901,191	**708,604**
Interest and commission expense for:			
Loans to other clients	11	(128,793)	(109,545)
Loans from banks	11	(371)	(355)
		(129,164)	**(109,900)**
Net income from interest and fees		**772,027**	**598,704**
Other operating income	9	31,499	-
Foreign exchange income (expense) (net)	11	6,889	9,373
Employees expenses	8	(104,462)	(72,174)
Depreciation and amortization	16;17	(12,365)	(10,839)
Impairment of loans	15	(278,099)	(137,580)
Other operating expenses	10	(362,211)	(282,862)
Income (loss) before taxation		**53,277**	**104,622**
Income tax	12	(42,897)	(31,855)
Net income (loss) for the period		**10,380**	**72,767**
Other comprehensive income:			
Other comprehensive income		-	-
Total other comprehensive income		**-**	**-**
Total comprehensive loss for the period		**10,380**	**72,767**

	Note	2022 (000) MKD	2021 (000) MKD
ASSETS			
Cash and cash equivalents	13	106,340	78,695
Loans to customers	15	1,694,508	1,230,552
Other receivables and prepaid expenses	14	28,691	13,651
Intangible assets	16	742	147
Equipment and other	17	7,373	10,708
Right-of-use assets	18	7,155	11,515
Long-term deposits	19	13,446	13,413
TOTAL ASSETS		**1,858,255**	**1,358,681**
PAYABLES AND EQUITY			
Current payables			
Trade payables	20	10,024	26,884
Borrowings	21	1,562,915	1,103,377
Other payables	20	82,276	62,349
Lease liabilities	22	7,239	11,492
Total payables		**1,662,454**	**1,204,102**
Equity			
Share capital	23	181,668	150,826
Legal reserves		4,189	-
Other reserves		-	-
Accumulated profit (loss)		9,944	3,753
Total equity		**195,801**	**154,579**
TOTAL PAYABLES AND EQUITY		**1,858,255**	**1,358,681**

Skopje, 28 April 2023

Approved by,

Manager
Goran Vasilev

ИУТЕ КРЕДИТ МАКЕДОНИЈА ДООЕЛ Скопје

	Note	2022 (000) MKD	2021 (000) МКД
Cash flows from operating activities			
Income (loss) before taxation		**53,277**	**104,622**
Adjustments for:			
Equipment depreciation	17	5,277	5,420
Right of use assets depreciation	18	6,869	5,806
Amortization on intangible assets	16	-	-
Interest and commission income		(901,191)	(708,604)
Interest and commission expense		129,164	109,900
Impairment of financial assets		278,099	137,580
Reconciliations		-	-
Revenues from interest and commission		857,615	665,865
Paid interest		(122,260)	(114,648)
Write off of financial assets		(159,213)	(77,189)
Profit (loss) before changes in working capital		**147,638**	**128,752**
Loans to other clients, (net)		(539,266)	(550,112)
Other current assets and prepayments		(15,040)	(4,901)
Liabilities from suppliers		(16,860)	6,874
Lease liabilities	22	(4,253)	(5,720)
Other current liabilities and accruals		21,518	34,098
Net money cash used in the operation		**(406,264)**	**(391,009)**
Income tax (Paid)/received		(44,488)	(17,544)
Net cash flows from operating activities		**(450,752)**	**(408,553)**
Cash flows from investing activities			
Acquisition of intangible assets	16	(595)	(1,034)
Given deposits	19	(33)	93
Addition / termination to right of use assets	18	(2,510)	-
Acquisition / disposal of the equipment and other	17	(1,942)	(3,704)
Net cash flows from investing activities		**(5,080)**	**(4,645)**
Cash flows from financial activity			
Paid in capital	23	30,842	80,051
Used (repaid) loans, net	21	452,634	364,364
Net cash flows from financial activity		**483,476**	**444,415**
Net increase (decrease) in cash assets		**27,645**	**31,217**
Cash funds at the beginning of the year		**78,695**	**47,478**
Cash funds at the end of the year		**106,340**	**78,695**

	Share equity	Legal reserves	Other reserves	Accumulated Profit (loss)	Total equity
In 000 MKD					
Balance on 1-st of January 2021	**70,775**	**-**	**-**	**(69,014)**	**1,761**
Comprehensive income:					
Profit (loss) for the period	-	-	-	72,767	72,767
Reconciliations				-	-
Total comprehensive income	**-**	**-**	**-**	**72,767**	**72,767**
Transactions with owners (shareholders):					
Paid in capital	80,051	-	-	-	80,051
Distribution for reserves	-	-	-	-	-
Distribution for dividends	-	-	-	-	-
Balance at 31-st December 2021	**150,826**	**-**	**-**	**3,753**	**154,579**
Comprehensive income:					
Profit (loss) for the period	-	-	-	10,380	10,380
Reconciliations				-	-
Total comprehensive income	**-**	**-**	**-**	**10,380**	**10,380**
Transactions with owners (shareholders):					
Paid in capital	30,842	-	-	-	30,842
Distribution for reserves	-	4,189	-	(4,189)	-
Distribution for dividends	-	-	-	-	-
Balance at 31-st December 2022	**181,668**	**4,189**	**-**	**9,944**	**195,801**

1. Basic data and activity

The financial company IUTE CREDIT MACEDONIA DOOEL – Skopje (herein after the Company), is founded in July 2017 as limited liability company according to the Law on Financial Companies.

The basic activity of the Company for which it is registered and licence is acquired from the Ministry of finance on 24.07.2017 and 18.09.2017 is approval of loans and issuing and administration of credit cards.

The head office of the Company is at St.1732 No.4 Lamela A/DP No.1, Skopje.

The total number of employees in the Company as of 31 December 2022 is 94 employees (2021: 80 employees).

2. Basis of preparation of the special purpose financial statements

2.1. Basis of preparation

The special purpose financial statements set on pages 3 to 38 are prepared in accordance with the International Financial Reporting Standards (IFRS).
The management of the Company has prepared these special purpose financial statements in accordance with the accounting policies described below with a purpose to respond to a request of the Luxembourg financial sector regulator (CSSF) in connection with certain disclosure requirements in accordance with Annex 6 item 11.1 of Commission Delegated Regulation (EU) 2019/980, which are applicable to historical financial information provided by the company in its capacity as guarantor of a senior secured bond to be issued by IuteCredit Finance S.à r.l.. The principal accounting policies applied by the Company are based on the requirements of International Financial Reporting Standards as adopted by EU. These policies have been consistently applied to all the years presented, unless otherwise stated.

The special purpose financial statements were prepared for the period ending 31 December 2022 and 2021. The figures for the current period are shown in thousands of Macedonian denars (MKD). Comparative figures are presented.

2.2. Basic accounting methods

These special purpose financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by EU. The special purpose financial statements are based on the cost method.

2. Basis of preparation of the special purpose financial statements (Continued)

2.3. Changes in accounting policies and disclosures

a) New standards and amendments effective in the period on or after 1 January 2022

At the date of authorization of these financial statements, certain new standards and amendments and interpretations of existing standards have been published by the IASB. All relevant publications have been applied to the Company's accounting policies in the first period beginning at the effective date of the publication. New standards / amendments have no significant effect over the Company's financial statements.

The following standards and amendments have become effective for the annual periods commencing on or after 1 January 2022:

- Amendment to IFRS 16, "Leases" - Covid-19 related rent concessions - extension of practical expedient (effective from 1 April 2021)
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16 (applicable on 1 January 2022)
- Amendments to IFRS 9 and IFRS 16

Amendments to IAS 16: Proceeds before intended use
Amendments to IAS 16 'Property, plant and equipment' requires the Company to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related costs in profit or loss, instead of deducting the amounts received from the cost of the asset. This amendment is applied retrospectively.

Amendments to IAS 37 Onerous Contracts – Costs of fulfilling a contract
The amendments to IAS 37 'Provisions, contingent liabilities and contingent assets' specify the costs that an entity includes when assessing whether a contract will be loss-making. No contracts have been identified as onerous.

Annnual improvements make minor changes to IFRS 1 "First time adoption of IFRS", IFRS 9 "Financial instruments", IAS 41 "Agriculture" and the illustrative examples accompanying IFRS 16 "Leases".

Amendments to IFRS 9 and IFRS 16
In October 2022, the IASB finalized the agenda decision approved by the IFRS Interpretations Committee on "Lessor forgiveness of lease payments (IFRS 9 and IFRS 16)". The agenda decision addresses the accounting from the perspective of the lessor, and in particular:

- how the expected credit loss ('ECL') model in IFRS 9 should be applied to the operating lease receivable when the lessor expects to forgive payments due from the lessee under the lease contract before the rent concession is granted.
- whether to apply the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 when accounting for the rent concession.

2. Basis of preparation of the special purpose financial statements (Continued)

2.3. Changes in accounting policies and disclosures (Continued)

b) Standards, amendments to and interpretations of the existing standards that are not effective yet and have not been applied prior to the effective date by the Company

The following standards and amendments are still not effective for the annual periods ending at 31 December 2022:

- IFRS 17 - Insurance Contracts
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 - Disclosure of Accounting Policies and Definition of Accounting Estimates
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

IFRS 17 ‘Insurance contracts’ establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 is effective for annual periods commencing on or after 1 January 2023.

Amendments to IAS 1 ‘Presentation of financial statements’ clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The meaning of settlement of a liability is also clarified. The amendments are applicable for annual periods commencing on or after 1 January 2023.

Amendments to IFRS 10 ‘Consolidated financial statements’ and IAS 28 ‘Investments in associates’ clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. Otherwise, the gain or loss is recognised by the investor only to the extent of the other investor’s interests in the associate or joint venture. The amendments have been deferred until IASB has finalised its research project on the equity method.

2. Basis of preparation of the special purpose financial statements (Continued)

2.4. Changes in accounting policies and disclosures (Continued)

b) Standards, amendments to and interpretations of the existing standards that are not effective yet and have not been applied prior to the effective date by the Company

Amendments to Disclosure of Accounting Policies and Definition of Accounting Estimates modify:

- IFRS 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- IAS 1, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- IAS 8, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- IAS 34, to identify material accounting policy information as a component of a complete set of financial statements; and
- IFRS Practice Statement 2 Making Materiality Judgements, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

2.3. Accounting estimates and judgements

The Company is applying certain accounting estimates and judgments during the process of preparation of the special purpose financial statements. Certain items in the special purpose financial statements, which can not to be accurately measured, are estimated. The estimation process includes judgments based on the latest available information.

Estimates are used in determining the useful life's of assets, fair value of receivables or their uncollectibility etc.

During the periods, certain estimates can be revised if there are changes in the circumstances on which the estimation was based or as a result of new information, grater experience and subsequent events.

The effects of the changes in the accounting estimates are included in the net profit or loss for the period as well as in the future periods on which the change takes effect or the both.

2. Basis of preparation of the special purpose financial statements (Continued)

2.4. Accounting estimates and judgements (Continued)

Management has made assessments, judgments and assumptions based on analysis of the impact that the global coronavirus Covid 19 pandemic has, or may have, on the Company, based on available information. This analysis covers the nature of the services offered, customers, supply chain, staff and geographic region in which the Company operates. Unless otherwise stated in the specific notes to these special purpose financial statements, management considers that there are no significant uncertainties regarding the events and conditions that may adversely affect the Company's operations.

2.5. Going concern concept

The special purpose financial statements are prepared based on the going concern concept which means that the Company will continue to operate in the future on a continuing basis. The management of the Company has neither intention nor need to liquidate or restrict significantly the scope of its operations.

3. Basic accounting policies and estimates

The principal accounting policies applied for the preparation of these special purpose financial statements are set out below. These policies have been applied consistently for the years presented.

3.1. Interest and similar income

The Company calculates interest income by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired assets and purchased or originated credit impaired (POCI) financial assets. Financial asset becomes credit-impaired and is, therefore, regarded as ‘Stage 3’ (NPL), the Company calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis. For POCI financial assets, the Group calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortized cost of the financial asset. The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI financial asset.

The effective interest rate (EIR) method

Under IFRS 9 interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle.

Other fee income

The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- (i) Identify the contract(s) with a customer
- (ii) Identify the performance obligations in the contract
- (iii) Determine the transaction price
- (iv) Allocate the transaction price to the performance obligations in the contract
- (v) Recognize revenue when (or as) the entity satisfies a performance obligation.

Terms and conditions related to the loan contracts set each party’s rights and obligations in the credit relation and are approved by both parties; this includes also after-sales services provided by the Company.

3. Basic accounting policies and estimates (Continued)

3.2. Exchange rate differences

Business transactions in foreign currency are recorded in MKD by applying the exchange rate at the date of the transaction. All monetary assets and liabilities in foreign currencies are denominated into MKD at the exchange rates ruling at the balance sheet date.

Gains and losses on exchange arising on the translation of receivables and liabilities in foreign currencies into Denar counter value are reported in the income statement as other income or expenditure, in the year to which they refer.

3.3. Income tax (current and deferred)

Income tax for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date.

Current income tax is calculated according to the regulations of the Republic of North Macedonia. According the changes in the tax regulations, current income tax is calculated on the basis which represents the profit before taxation increased for expenses which are not deductible for the taxation purposes and less reported revenues with related parties. Income tax is calculated based on the relevant tax rate at the balance sheet date of 10% (2021: 10%).

Deferred tax is provided using the balance sheet liability method, providing temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

Calculation of the effective tax rate is presented in Note 12.

3.4. Cash and cash equivalents

Cash and cash equivalents are carried out at cost in the balance sheet. For the purposes of these special purpose financial statements, cash and cash equivalents are comprised of cash in hand, cash in banks denar and foreign currency accounts, demand deposits and time deposits with maturity up to three months.

3.5. Financial instruments

Initial recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Company recognizes balances due to investors when funds are transferred to the Company.

3. Basic accounting policies and estimates (Continued)

3.5. Financial instruments (continued)

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

The company classifies all of its financial assets based on the asset's contractual terms, the Company`s business model and SPPI assessments - measured at either:

• Amortized cost
• FVOCI
• FVPL

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

Subsequent measurement

Financial assets

The Company only measures Loans to customers and other financial investments at amortized cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:

• The Company has transferred its contractual rights to receive cash flows from the financial asset or
• It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

3. Basic accounting policies and estimates (Continued)

3.5. Financial instruments (continued)

Financial liabilities
After initial measurement, debt issued and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Impairment of financial assets

The Company has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, all referred to as 'financial instruments'.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Both LTECLs and 12mECLs are calculated on collective basis.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognized, the Company recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

- Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

3. Basic accounting policies and estimates (Continued)

3.5. Financial instruments (continued)

- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Impairment losses and releases are accounted for as an adjustment of the financial asset's gross carrying value.

The main parameters the Company uses in assessing credit risk are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The probability of default reflects how high is the probability that the loan customer will experience a settlement default of more than 75 days by the 12th month after the assessment.

- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- LGD The Loss given default reflects the economic loss that may occur in the event of default of more than 75 days on the basis of country specific loss rates identified using historical loss statistics. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI receivables. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

3. Basic accounting policies and estimates (Continued)

3.5. Financial instruments (continued)

The mechanics of the ECL method are summarized below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.
  These expected 12-month default probabilities are applied to a forecast EAD (Note 7) and multiplied by the expected LGD and discounted by an approximation to the original EIR.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Company recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition.

Forward looking information
In its ECL models, the Company relies on the following forward-looking information as economic input:

- GDP growth
- Unemployment

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the special purpose financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Time horizon
Generally, time horizon used to analyze the information from the past is considered at least 12 month. 12-month-horizon is also used the other way for forward-looking estimates.

Write-offs
Financial assets are derecognized after 365 days past due (DPD), when collection is no longer considered probable. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

3. Basic accounting policies and estimates (Continued)

3.6. Equipment

(1) Basic presentation

Initially, equipment is measured at cost. The cost of an item comprises its purchase price, including import duties and non-refundable purchase taxes, as well as any costs directly attributable to bringing the asset to the location and condition for its intended use.
Subsequently, an item of equipment is recorded at cost less accumulated depreciation and any impairment.

Administrative and other general indirect costs do not represent part of the cost of equipment.
The advance payments performed for acquisition of equipment is recognized as given advances for acquisition.

An item of PPE shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognising of an item of equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

(2) Depreciation

Depreciation is charged on a straight-line basis at prescribed rates to allocate the cost of the equipment over their estimated useful lives. Equipment is depreciated on a single asset basis, until the asset is fully depreciated.

The depreciation annual rates and estimated useful lives applied in 2022 are as follows:

	2022	**2022**	**2021**	**2021**
Equipment	5 %	20 years	5 %	20 years
Computers	25 %	4 years	25 %	4 years
Office furniture	20 %	5 years	20 %	5 years

3.7. Intangible assets

An asset should be recognized as intangible asset in the special purpose financial statements if, and only if, it is controlled from the company, it is probable that the future economic benefits will flow, the cost of the asset can be measured reliably and it has non-material form.
An intangible asset should be recognized initially, at cost, and that is the amount of cash and cash equivalents paid for its acquisition. Subsequently, the intangible assets are recognized at cost less accumulated amortization and any impairment losses.

Intangible assets should be amortized over the best estimate of their useful life. The annual amortization rate is 20% (2021: 20% per year).

3. Basic accounting policies and estimates (Continued)

3.8. Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.9. Trade payables

Trade payables are stated at their nominal value (cost).

Trade payables are written off by crediting other revenues, after the expiration of the legal maturity period or by off-court agreement between parties.

3.10. Borrowings

Borrowings represent short-term and long-term interest bearing borrowings stated at their nominal value. The amounts of the interest agreed are shown as financing expenses in the income statement and as short-term financial liabilities in the balance sheet. Foreign interest bearing borrowings are stated at the exchange rate at 31^{st} December, and losses or gains of exchange are stated as financial income or expense.

3.11. Equity

(1) Shareholders capital

The Company's shareholders capital is recognized in the amount of the nominal (par) value of the authorized and issued shares.

(2) Legal reserves

Legal reserves are formed from the net profit based on the local statutory legislation, and could be used for loss recovery. Under the local statutory legislation, the Company is required to set aside minimum 5% of its year net profit in the reserves until the level of this reserve reaches 10% of the registered share capital. Until reaching the minimum required, level reserves could be used only for loss recovery. When the minimum level is reached, legal reserves can also be used for distribution of dividends, based on a decision of the Shareholders' Assembly.

3. Basic accounting policies and estimates (Continued)

3.12. Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

(1) Short-term employee benefits

Short-term employee benefits are employee benefits which fall due wholly within twelve months after the end of the period in which the employees render the related services. These benefits include items such as: wages, salaries and social security contributions, short-term compensated absences, profit-sharing and bonuses and other non-monetary benefits. All short-term employee benefits are recognized as a liability and expense for the undiscounted amount.

(2) Post-employment benefits

The Company calculates and pays pension insurance contributions of its employees according to the domestic legislation. The contributions, based on the employee's salaries are paid in the domestic National Fund. The Company has no additional liabilities.

Also, the Company is obliged to pay benefit in amount of two months' salary to all its employees who are retiring in the moment of retirement. The Company has made no provision for these liabilities as the amount is not significant for the special purpose financial statements.

3.13. Provisions

Provisions (uncertain liabilities) are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as an asset when, and only when, it is virtually certain that the reimbursement will be received. The expense relating to a provision is presented in the income statement net of the amount recognized for a reimbursement. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation using pre-tax rates that reflects current market assessments.

3.14. Contingencies

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liability is not recognized in the special purpose financial statements, only are disclosed.

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent asset are recognized only when the realization of income is virtually certain.

4. Basic accounting policies and estimates (Continued)

3.15. Leases

The Company leases administrative and branch offices. The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, the depreciation rates ranging from 20%-50%.
If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. At the end of each reporting period, the Company assess whether there is any indication that an asset may be impaired (i.e. its carrying amount may be higher than its recoverable amount). If there is an indication that an asset may be impaired, then the asset's recoverable amount is calculated. If fair value less costs of disposal or value in use is more than carrying amount, there is no impairment. If fair value less costs of disposal cannot be determined, then recoverable amount is considered to be value in use. For assets to be disposed of, recoverable amount is fair value less costs of disposal. The impairment loss is recognized as an expense (unless it relates to a revalued asset where the impairment loss is treated as a revaluation decrease).

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

3. Basic accounting policies and estimates (Continued)

3.15. Leases (continued)

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

4. Risk management

The Company in engaged in different kind of business transactions which derive from its daily activities and which are connected with the customers, suppliers and creditors. The main financial risks to which the Company is exposed during its business and the policies for their management are the following:

4.1. Market risk

Foreign exchange risk

The Company does not enter in transactions denominated in foreign currencies and therefore the Company is exposed to foreign currency risk.

All loan agreements are without FX clause and therefore the Company is not exposed to foreign currency risk.

Equity price risks

The Company is not exposed to this kind of risk as it does not own any securities.

4.2. Credit risk

The Company is exposed to credit risk through its credit acivities.

The credit risk represents risk in the event where its customers fail to meet their payment obligations. The management of the credit risk is done by the Company based on the estimation of its clients and their credit liability.

According to the local legislation (Law on financial companies) there are limits for the total credit exposure which cannot be more than 10 times of the Company's equity and reserves. The Company has no breach of this limitation (2021: none).

According to the local legislation (Law on financial companies) the Company is not allowe to make loans to owners and related parties. The Company has no breach of this limitation (2021: none).

Generally, the Company's policy is to work with clients with good credit rating.

Regarding the impairment of bad and doubtfull loans, the Company has implemented system of grading and recording of impairment lsses for bad and doubtfull loans based on the estimated losses in credit protfolio.

4. Risk management

4.3. Interest rate risk

All active interest bearing assets which are related to the loan agreements are with adjustable interest rates which are implemented by the Company according to the legislation. All loans are short-term. According to this there is interest rate exposure but id depends on the market fulctuations and the Company can manage it with is own decesions for the rates.

The Company is exposed to risk of interest rate fluctuation, which relates to the loans, borrowings or bank deposits concluded with variable interest rates. Considering that the Company has no agreed loans with variable interest rates but it has bank deposits, the Company is exposed to this kind of risk but it depends of the movements on the financial markets and the Company cannot hedge it.

4.4. Liquidity risk

Liquidity risk includes the risk of being unable to fund its liabilities at appropriate maturities with its cash. This kind of risk is managed by maintaining sufficient cash for regular funding of its committed credit facilities. The Company has no such liquidity issues.

4.5. Taxation risk

According to local legislation, the tax authorities may at any time inspect the books and records subsequent to the reported tax year, and may impose additional tax assessments. Up to the date of the Auditors report, inspection for income tax (taxable expenses) and personnel income tax for period ended 31 December 2022 is not yet executed. Management of the Company considers that there is no information for any kind of significant errors or irregularities in respect of these taxes.

5. Fair value estimation

The Company has financial assets and liabilities which include loan receivables, borrowings and trade payables as well as non-financial assets, for which large number of accounting policies and disclosures require establishing of their fair value.

The fair value of financial assets and liabilities generally approximate their carrying amount as most of it have short-term due in period of 1 year from the date of the balance sheet.

6. Financial instruments

6.1. Capital risk management

In order to be able to continue as a going concern, the Company uses loans from companies and intends to maximize the return to the shareholders through the optimization of the debt and equity balance.

	2022	2021
Borrowings	1,570,154	1,114,869
Cash	(106,340)	(78,696)
Net borrowings (cash)	**1,463,814**	**1,036,173**
Equity	**195,801**	**154,571**
% debt	**748%**	**670%**

6.2. Foreign currency risk

The Company does enter into transactions in foreign currencies and therefore the Company is exposed to foreign currency risk, except for the used loan from the parent company. The total exposure on foreign currency as at 31 December 2022 in financial liabilities is in amount of 1,557,457 thousands of MKD (2021: 1,123,824 thousands of MKD), while the exposure with the financial assets is in amount of 75,593 thousands of MKD (2021: 29,448 thousands of MKD).

The Company is generally exposed to EUR.

Change of +-10% of the FX rate of EUR would cause net effect of 148,186 thousands of MKD on the Company's profit/ loss (2021: 109,438 thousands of MKD).

6. Financial instruments (Continued)

6.3. Interest rate risk

The Company is exposed to interest risk arising from deposits and borrowings from banks and other entities, with a variable interest rate clause.

The carrying amount of the financial assets and liabilities according to their exposure to interest risk at the end of the year is as follows:

	31 December	
	2022	**2021**
Financial assets		
Non – interest bearing:		
- Cash and cash equivalents	144	17
- Other receivables	23,883	8,054
- Deposits	13,446	13,413
	37,473	**21,484**
Interest bearing with fixed interest:		
- Loans	1,514,196	1,093,816
	1,514,196	**1,093,816**
Interest bearing with variable interest:		
- Cash and cash equivalents	106,196	78,678
	106,196	**78,678**
	1,657,865	**1,193,978**
Financial liabilities		
Non – interest bearing:		
- Trade payables	10,024	26,884
- Other current liabilities	65,817	8,227
	75,841	**35,111**
Interest bearing with fixed interest:		
- Lease liabilities	7,239	11,492
- Loans from companies	12,491	10,420
	19,730	**21,912**
Interest bearing with variable interest:		
- Loans from companies	1,522,765	1,072,202
	1,522,765	**1,072,202**
	1,618,336	**1,129,225**

Change of +-2 p.p of the interest rate on the loans would cause net effect of 30,455 thousands of MKD on the Company's profit/ loss (2021: 21,444 thousands of MKD).

6. Financial instruments (Continued)

6.4. Liquidity risk

The following table details the Company's remaining contractual maturity for its financial assets and liabilities as at 31 December 2022:

	Less than 1 month	1 to 3 month	3 to 12 month	Over 12 months	Total
Cash	106,340	-	-	-	**106,340**
Deposits	-	-	-	13,446	**13,446**
Loans, without any provision	162	17,867	265,986	1,690,872	**1,974,887**
	106,502	**17,867**	**265,986**	**1,704,318**	**2,094,673**
Trade payables	10,024	-	-	-	**10,024**
Borrowings	530	1,060	17,263	1,523,642	**1,542,495**
Other payables	65,817	-	-	-	**65,817**
	76,371	**1,060**	**17,263**	**1,523,642**	**1,618,336**

The following table details the Company's remaining contractual maturity for its financial assets and liabilities as at 31 December 2021:

	Less than 1 month	1 to 3 month	3 to 12 month	Over 12 months	Total
Cash	78,696	-	-	-	**78,696**
Deposits	-	-	-	13,413	**13,413**
Loans, without any provision	1,033	24,845	385,446	980,722	**1,392,046**
	79,729	**24,845**	**385,446**	**994,135**	**1,484,155**
Trade payables	26,885	-	-	-	**26,885**
Borrowings	-	-	10,420	1,072,202	**1,082,622**
Other payables	8,227	-	-	-	**8,227**
	35,112	**-**	**10,420**	**1,072,402**	**1,117,734**

6.5. Credit risk

The Company is exposed to credit risk in the event where its customers fail to meet their payment obligations. The following table presents the structure of the loan receivables from the customers as at 31 December 2022 according to the estimates risk and impairment:

		In (000) MKD	
	Gross amount	**Impairment**	**Net amount**
Principal	1,794,576	(247,487)	1,547,089
Interest	134,556	(32,893)	101,663
Fees	45,757	-	45,757
Undue interest and fees	-	-	-
	1,974,889	**(280,380)**	**1,694,509**

6. Financial instruments (Continued)

6.5. Credit risk

The following table presents the structure of the loan receivables from the customers as at 31 December 2021 according to the estimates risk and impairment:

	In (000) MKD		
	Gross amount	**Impairment**	**Net amount**
Principal	1,255,309	(133,776)	1,121,533
Interest	90,951	(27,717)	63,234
Fees	45,785	-	45,787
Undue interest and fees	-	-	-
	1,392,045	**(161,493)**	**1,230,552**

6.6. Capital management

Basic goal of the Company regarding the capital managment policy is to be in adhere of the Law on financial companies (The Law). According to the Law, the Company is obliged to maintain at any time share capital not less than 6,000 thosuands of MKD. Also, the Company can not have loan receivables in amount of more than 10 times of the amount of the share capital and reserves.

Equity maintenance and investments in loans are managed by the Company on a regular basis.

The following tables are presenting the share capital and investments in loan receivables of the Company as at 31 December 2022 and 2021 according to the regulations.

	2022 (000) MKD	**2021 (000) MKD**
1. Total equity		
Share capital	181,668	150,826
Total	**181,668**	**150,826**
2.Share capital based on limit		
Equity of 6,000 thousands of MKD	6,000	6,000
Total	**6,000**	**6,000**
3. Amount above share capital	**175,668**	**144,826**

	2022 (000) MKD	**2021 (000) MKD**
1. Total investments		
Loan receivables	1,694,508	1,230,555
Total	**1,694,508**	**1,230,555**
2. Limit according to the law		
Share capital, reserves and profit (losses)	181,668	150,826
Ratio	10	10
Total	**1,816,680**	**1,508,260**
3. Amount above limit	**-**	**-**

7. INTEREST AND FEE INCOME

	2022 (000) MKD	2021 (000) MKD
Interest income	112,497	69,020
Income from commission	654,980	486,787
Income from the warning letters	82,469	88,542
Income from transactions with issued credit cards	49,443	61,741
Income from the penalty interest	1,802	2,514
Total	**901,191**	**708,604**

8. COST FOR EMPLOYEES

	2022 (000) MKD	2021 (000) MKD
Employees net salaries	65,084	50,013
Taxes and contributions for wages	33,749	16,973
Other costs for the employees	3,608	4,126
Business trip expenses	2,021	1,062
Total	**104,462**	**72,174**

9. OTHER OPERATING INCOME

	2022 (000) MKD	2021 (000) MKD
Collected written off and terminated loan receivables	27,537	-
Marketing activities income	2,011	-
Income from issued certificates	1,918	-
Other operating income	33	-
Total	**31,499**	**-**

10. OTHER OPERATING EXPENSES

	2022 (000) MKD	2021 (000) MKD
Short term lease of business offices and equipment	5,050	4,515
Costs for electricity and heating	3,895	2,015
Maintenance cost	8,114	5,992
Phone and internet services	3,973	3,576
Advertising, representation and sponsorship cost	35,710	28,491
Costs from domestic payment and banks commission	15,290	15,784
Expenses for the use of rights	5,039	5,139
IT services	3,392	1,935
Other services	8,169	7,563
Management and guarantee services from AS IuteCredit Europe Estonia	253,038	191,897
Other operating expenses	20,541	15,955
Total other operating expenses	**362,211**	**282,862**

The Company has concluded Management and guarantee fee contracts with the parent company, which refer to fees for consulting services that the Company needs for rendering financial services to its clients, as well as fee that the parent company will guarantee the continuous business activity of the Company. The contracts are valid until 31 December 2024.

11a. FINANCING INCOME

	2022 (000) MKD	2021 (000) MKD
Interest income	-	1,938
Foreign exchange gains	17,230	7,689
Other financing income	3,378	7,503
Total financing income	**20,608**	**17,130**

11b. FINANCING EXPENSES

	2022 (000) MKD	2021 (000) MKD
Interest expenses	128,793	109,545
Long term lease interest	371	355
Foreign exchange losses	13,719	7,757
Total financing expenses	**142,883**	**117,657**

12. INCOME TAX

	2022 (000) MKD	2021 (000) MKD
Current income tax	42,897	31,855
Deferred income tax	-	-
Total	**42,897**	**31,855**

Calculation of the income tax:

	2022 (000) MKD	2021 (000) MKD
Income (loss) before taxation	**53,277**	**104,622**
Unrecognized expenses:		
Representation	2,119	2,425
Interest on loans	126,739	63,801
Donations and sponsorships	4,100	-
Impairment of loans	278,100	137,581
Withholding tax	104	3,448
Other	5,532	6,670
Tax base before tax exemptions	**469,971**	**318,547**
Other exemptions	-	-
Tax base	**469,971**	**318,547**
Calculated income tax with 10% (2021: 10%)	**46,997**	**31,855**
Other exemptions	(4,100)	-
Income tax	**42,897**	**31,855**
Income before taxation	**53,277**	**104,622**
Effective tax rate	**80.52%**	**0.00%**

13. CASH AND CASH EQUIVALENTS

	2022 (000) MKD	2021 (000) MKD
Denar's Ziro accounts with banks	44,073	62,638
Foreign currency accounts with the bank	62,123	16,035
Cash in hand	144	17
Other cash equivalents	-	5
Total cash and equivalents	**106,340**	**78,695**

14. OTHER CURRENT ASSETS AND PRE PAID EXPENSES

	2022 (000) MKD	2021 (000) MKD
Claims for guarantees	503	1,003
Advances paid and deposit	1,193	2,640
Receivables for income tax	-	-
Inventories	1,569	850
Receivables from employees and other receivables	4,083	4,132
Receivables from a bankrupt bank	1,246	1,912
Receivables from Mintos for purchase of receivables	9,692	-
Other receivables	9,605	2,919
Prepaid expenses	800	195
Total other current assets	**28,691**	**13,651**

15. LOANS TO CUSTOMERS

	2022 (000) MKD	2021 (000) MKD
Retail loans	1,794,575	1,255,309
Interest on retails loans	134,557	90,951
Commissions on retail loans	45,755	45,785
Undue interest, commissions and other	-	-
	1,974,887	**1,392,045**
Impairment on loans	(280,379)	(161,493)
	(280,379)	**(161,493)**
Total loans to customers	**1,694,508**	**1,230,552**
Movement of the impairment on loans:		
Balance 1-st of January	**161,493**	**101,102**
New impairment	278,099	137,580
Loan reconciliation	-	-
Write-offs	(159,213)	(77,189)
Balance 31-st of December	**280,379**	**161,493**

16. INTANGIBLE ASSETS

	2022 (000) MKD	2021 (000) MKD
Purchase value		
Balance 1-st of January	**147**	**10,239**
Additions	595	1,034
Transfer	-	(11,126)
Write off	-	-
Balance 31-st of December	**742**	**147**
Accumulated amortization		
Balance 1-st of January	**-**	**3,608**
Amortization for the current year	-	-
Transfers to equipment	-	(3,608)
Balance 31-st of December	**-**	**-**
Carrying amount as at 31-st December	**742**	**147**

17. EQUIPMENT AND OTHER

	Equipment & inventory (000) MKD	Leasehold improvements (000) MKD	Total (000) MKD
Cost			
Balance 1-st of January	**20,795**	**3,452**	**24,247**
Additions	1,619	352	1,971
Disposals	(72)	-	(72)
Balance 31-st of December	**22,342**	**3,804**	**26,146**
Accumulated depreciation			
Balance 1-st of January	**11,211**	**2,328**	**13,539**
Depreciation	5,075	202	5,277
Disposals	(43)	-	(43)
Balance 31-st of December	**16,243**	**2,530**	**18,773**
Carrying amount:			
31.12.2022	**6,099**	**1,274**	**7,373**
31.12.2021	**9,584**	**1,124**	**10,708**

18. RIGHT-OF-USE ASSETS

	Buildings (000) MKD	Total (000) MKD
Cost		
Balance 1-st of January	**29,608**	**29,608**
Additions	2,511	2,511
Termination	(1,537)	(1,537)
Balance 31-st of December	**30,582**	**30,582**
Accumulated depreciation		
Balance 1-st of January	**18,093**	**18,093**
Depreciation	6,869	6,869
Termination	(1,536)	(1,536)
Balance 31-st of December	**23,426**	**23,426**
Carrying amount:		
31.12.2021	**7,155**	**7,155**
31.12.2020	**11,515**	**11,515**

The Company leases buildings for its administrative office and its branches. Lease terms are negotiated on an individual basis. The lease contract duration is 3 and 5 years and are due on 01.06.2024.

19. GIVEN DEPOSITS

Given deposits in amount of 13,446 thousands of MKD comprise in full of long-term deposit in Master Card in amount of 214,957 euro based on agreement for using Master card.

20. TRADE PAYABLES AND OTHER

	2022 (000) MKD	2021 (000) MKD
Domestic suppliers	10,024	7,283
Foreign suppliers	-	19,601
Income tax liabilities	16,459	18,050
Liabilities for salaries	6	-
Liabilities for early repayment of loans	38,967	36,072
Liability for unused funds from approved loans	19,006	804
Other liabilities	7,838	7,423
Total trade payables and other	**92,300**	**89,233**

21. LONG-TERM BOROWINGS

Borrowings from:	2022 (000) MKD	2021 (000) MKD
AS IuteCredit Europe Estonia	1,413,404	1,039,696
AS IuteCredit Europe Estonia	-	13,245
AS Mintos Latvia	109,361	19,261
Individuals	12,491	10,420
Interest from borrowings from AS IuteCredit Europe Estonia	26,680	20,404
Interest from borrowings from AS Mintos Latvia	773	125
Individuals	206	226
Total	**1,562,915**	**1,103,377**

Long-term loan from AS IuteCredit Europe Estonia in the amount of 1,039,696 thousands of MKD or 16,870,785.29 EUR with a deadline of repayment up to 31.12.2022 and an interest rate of 10% per annum. The loan arise from concluded master loan agreement for the amount of maximum 5,000,000 EUR. In 2022, the Company has concluded annex for increasing the credit limit to a maximum amount of 30,000,000 EUR and the repayment period is up to 01.09.2029.The loan is in EUR. Collateral for the loan are the loan receivables from customers of the Company.

Long-term loan from AS IuteCredit Europe Estonia in the amount of 13,245 thousands of MKD or 214,924 EUR with a deadline of repayment up to 01.06.2020 and an interest rate of 10% per annum. The loan arise from concluded master loan agreement for the amount of maximum 300,000 EUR. In 2020, the Company has concluded annex for extension of the loan repayment until 01.09.2024. The loan is in EUR. Collateral for the loan are loan receivables from customers of the Company. During 2022, the loan is fully repaid.

As of 31 December 2022, the long-term loan from AS Mintos Latvia, in total amount of 109,361 thousands of MKD or 1,778,397 EUR arises from a concluded agreement for purchase of loan receivables, among the Company as Lending Company, SIA Mintos Finance no. 39 from Latvia as Issuer and AS Mintos Latvia as Investment firm. Based on the agreement, the maturity date of the loan follows the maturity dates of the purchased loan receivables. Collateral for the loan are loan receivables from customers of the Company in amount not exceeding 5 million EUR.

Long-term loan from local inventors in the amount of 12,491 thousands of MKD with a deadline of repayment of February 2023 to December 2025 and an interest rate of 8-11.5% per annum.

22. LEASE LIABILITIES

The movement of the lease liabilities is as follows:

	2022 (000) MKD	2021 (000) MKD
Opening balance at 1 January	11,492	17,212
Additions	2,511	-
Paid liabilities	(6,776)	(5,720)
Foreign currency variations	12	-
Remaining principle at 31 December	**7,239**	**11,492**
Of which:		
Current portion	6,362	5,709
Non-current portion	877	5,783

Maturity of the lease liabilities is as follows:

Within one year	6,362	5,709
Between 1 and 2 years	877	5,783
Between 2 and 5 years	-	-
More than 5 years	-	-
Balance at 31 December	**7,239**	**11,492**

23. SHARE CAPITAL

	2022 (000) MKD	2021 (000) MKD
Share capital		
AS IuteCredit Europe Estonia	181,668	150,826
	181,668	**150,826**

The structure of the owners as of 31 December is as follows:

	2022 %	2021 %
Owners:		
AS IuteCredit Europe Estonia	100%	100%

During 2022, share capital increase was done with additional 500,000 EUR or 30,842 thousands of MKD.

During 2021, share capital increase was done with additional 1,300,000 EUR or 80,051 thousands of MKD.

During 2019, share capital increase was done with additional 600,000 EUR or 36,897 thousands of MKD.

24. CONTINGENCIES

Contingent liabilities are recognized in the special purpose financial statements only when it is probable an outflow of resources embodying economic benefits and when the amount can be measured reliably.

a) Guarantees

IuteCredit Finance S.A.R.L. Luxemburg has issued bonds with nominal value of 40 million EUR, with ISIN number XS2033386603, from which obligations towards bondholders arised in maximum amount of 125 million EUR. The Company Greenmarck Restructuring Solutions GMBH Germany is appointed as joint representative (Security Agent) of the bondholders and acts together with them as a solidary creditor.

In 2019, IuteCredit Finance S.A.R.L. Luxembourg (hereinafter referred to as "the Issuer") has concluded a Security Agent agreement with Greenmarck Restructuring Solutions GMBH Germany. According to this agreement, the Issuer shall grant the following security in favor of the bondholders in total amount of 40 milion EUR: first ranking pledges over shares, present and future loan receivables granted to customers, bank accounts and promissory note in form of notarial deed, owned by all subsidiaries of AS IuteCredit Europe in Luxembourg, Estonia, Moldova, Kosovo, Albania and Macedonia. During 2021, new Security Agent agreement is signed, with which the amount of the issued bonds increases for 10 milion EUR, i.e. total issued bonds in amount of 50 milion EUR.

Pursuant to the Security Agent agreement, as security for the obligations of the Issuer arising from the issued bonds, the Company IUTE Credit Macedonia has concluded an Agreement for pledge of loans receivables with Greenmarck Restructuring Solutions GMBH Germany and has issued a promissory note of EUR 40 million in the name of Greenmarck Restructuring Solutions GMBH Germany, with which it accepts all liabilities arising from the issued bonds, in the amount of EUR 40 million. In 2021, the amount of issued bonds increased by EUR 10 million, i.e. total amount of EUR 50 million with maturity until 07.08.2023.

In January 2022, the amount of bonds issued by IUTE Credit Finance S.A.R.L. Luxembourg increased by the amount of EUR 75 million, i.e. the total amount for which the IUTE Credit Macedonia Company appears as a guarantor with issuance of a promissory note and pledge of loan receivables amounting to EUR 125 million. The maturity of these bonds is extended to October 6, 2026.

24. CONTINGENCIES (Continued)

b) Litigation

The Company is a claimant in court cases with individuals on the basis of debt and damage compensations in total amount of 3,290 thousand MKD. The procedures are in progress.

As od 31 December 2022, there are no legal claims where the Company is defendant.

25. OPERATING LEASES

Starting from 1 January 2019, the Company has recognised right-of-use assets for leases, except for short term and low-value leases.
The Company has concluded several short term lease agreements, for which future lease liabilities within the next twelve months amounts to 3,647 thousands of MKD.

26. POST BALANCE SHEET EVENTS

After the reporting date, there are no events that have significant influence on these financial statements.

27. RELATED PARTY TRANSACTIONS

Related party transactions are as follows:

	31 December 2022	
Receivables from and payables to:	**Receivables**	**Payables**
AS IuteCredit Europe	-	1,441,045
Total	**-**	**1,441,045**

	31 December 2021	
Receivables from and payables to:	**Receivables**	**Payables**
AS IuteCredit Europe	-	1,092,988
Total	**-**	**1,092,988**

	31 December 2022	
Income and expenses:	**Income**	**Expenses**
AS IuteCredit Europe	-	379,487
Total	**-**	**379,487**

	31 December 2021	
Income and expenses:	**Income**	**Expenses**
AS IuteCredit Europe	-	255,697
Total	**-**	**255,697**