IuteCredit Albania sha

Financial Statements

For the year ended 31 December 2022

Nexia AL

Str. Margarita Tutulani,
Palazzo Viridario 1, 1-st floor,
Tirana, Albania
T: +355 4 223 2726
www.nexia.al

INDEPENDENT AUDITORS' REPORT

To the Management of IuteCredit Albania sha

Opinion

We have audited the financial statements of IuteCredit Albania Sh.a ("the Company"), which include the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements have been prepared in all material respects in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the International Accounting Standards Board (IASB) and the ethical requirements of the Authorised Accounting Experts Institute in Albania (IEKA), which are applicable for the profession in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other information

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work that we have performed, we conclude that there is a material misstatement of this other information, then we are required to report that fact. As of the date of this report, the Company did not yet publish the other information. We have nothing to report in this regard.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- 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 the management 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.

Nexia AL

Statutory Auditor
Orjana Kalaja

Nexia AL
K91721010Q

Tirana, Albania
20 February 2023

IuteCredit Albania sh.a
Statement of Financial Position as at 31 December 2022
(all amounts are expressed in Albanian Lek, unless otherwise stated)

	Notes	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property Plant and Equipment	6	67,222,706	57,451,124
Intangible assets	7	9,548,043	12,730,724
Right of use for leased assets	8	106,492,158	61,788,902
Loan and advances to customers	9	3,986,558,440	2,890,660,475
Total non-current assets		**4,169,821,347**	**3,022,631,225**
Current assets			
Loan and advances to customers	9	1,955,071,432	1,709,304,191
Cash and cash equivalents	10	633,156,309	518,058,749
Receivables from financial institutions	11	41,182,038	21,052,263
Other receivables	12	84,070,065	44,602,213
Total current assets		**2,713,479,844**	**2,293,017,416**
Total Assets		**6,883,301,191**	**5,315,648,641**
Liabilities			
Non-current liabilities			
Borrowings	13	3,923,673,943	3,302,168,057
Lease liability	14	83,640,044	38,973,659
Total non-current liabilities		**4,007,313,987**	**3,341,141,716**
Current liabilities			
Borrowings	13	835,904,931	171,503,125
Lease liability	14	37,491,086	32,124,020
Provisions	15	23,780,511	23,780,511
Trade and other payables	16	381,397,618	271,384,011
Income tax payable		-	9,626,637
Other payables	17	83,135,071	64,054,482
Total current liabilities		**1,361,709,217**	**572,472,786**
Total Liabilities		**5,369,023,204**	**3,913,614,502**
Capital			
Share capital	18	100,000,000	65,000,000
Legal Reserve	18	10,000,000	6,500,000
Retained earnings		1,404,277,987	1,330,534,139
Equity		**1,514,277,987**	**1,402,034,139**
Total Equity and Liabilities		**6,883,301,191**	**5,315,648,641**

The statement of financial position is to be read in conjuction with the notes to and forming part of the financial statements set out on pages 5 to 25. The financial statements have been signed from the management of the Company on 25 January 2023:

Akan Ajdini
CEO

Ervin Pecuni
CFO

(all amounts are expressed in Albanian Lek, unless otherwise stated)

	Notes	For the year ended on 31 December 2022	For the year ended on 31 December 2021
Interest			
Interest income		618,277,762	570,340,962
Interest expense		(512,502,066)	(488,388,871)
Net interest income	19	**105,775,696**	**81,952,091**
Commission income		1,101,452,072	1,182,275,295
Other income		1,622,655,920	1,354,622,924
Commision and other income	20	**2,724,107,992**	**2,536,898,219**
Provision for impairment of financial assets	9	(1,086,601,083)	(805,123,359)
Reversal of provisions for written off loans		339,128,361	128,758,056
Other provisiones	11,15	(93,153)	(13,061,958)
Administrative expenses	21	(1,355,975,761)	(1,019,267,349)
Personnel expenses	22	(328,890,576)	(264,921,457)
Depreciation and amortisation	6, 7	(14,615,932)	(14,187,003)
Depreciation of leased assets	8	(39,484,932)	(37,468,199)
Profit from operating activity		**343,350,612**	**593,579,041**
Gain from foreign exchange		1,065,640	7,173,130
Interest expense for finance lease		(9,460,174)	(4,863,399)
Net finance (costs)		**(8,394,534)**	**2,309,731**
Profit before tax		**334,956,078**	**595,888,772**
Current income tax	23	(53,945,230)	(99,515,394)
Income tax expense		**(53,945,230)**	**(99,515,394)**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**281,010,848**	**496,373,378**

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 25.

IuteCredit Albania sh.a
Statement of Changes in Equity for the year ended 31 December 2022
(all amounts are expressed in Albanian Lek, unless otherwise stated)

	Share Capital	Legal Reserve	Retained earnings	Total
Balance at 1 January 2021	**65,000,000**	**6,500,000**	**982,564,761**	**1,054,064,761**
Profit of the year 2021	-	-	496,373,378	496,373,378
Divident distribution	-	-	(148,404,000)	(148,404,000)
Total Change for the year	**-**	**-**	**347,969,378**	**347,969,378**
Balance at 31 December 2021	**65,000,000**	**6,500,000**	**1,330,534,139**	**1,402,034,139**
Profit of the year 2022	-	-	281,010,848	281,010,848
Capital Increase	35,000,000	-	(35,000,000)	-
Legal Reserve	-	3,500,000	(3,500,000)	-
Divident distribution	-	-	(168,767,000)	(168,767,000)
Total Change for the year	**35,000,000**	**3,500,000**	**73,743,848**	**112,243,848**
Balance at 31 December 2022	**100,000,000**	**10,000,000**	**1,404,277,987**	**1,514,277,987**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 25.

(all amounts are expressed in Albanian Lek, unless otherwise stated)

	Notes	2022	2021
Cash flow from opeating activities			
Profit after tax		281,010,848	496,373,378
Adjustments for:			
Depreciation and amortisation	6,7	14,615,932	14,187,003
Depreciation from the rights to use the assets	8	39,484,932	37,468,199
Provision of financial assets	9	1,086,601,083	805,123,359
Loss by activity before changes in working capital		**1,421,712,795**	**1,353,151,939**
Changes in working capital:			
Decrease/(Increase) in loans to customers	9	(2,428,266,289)	(2,101,206,452)
Decrease/(Increase) in receivables from financial institutions	11	(20,129,775)	(5,470,107)
Decrease/(Increase) in other receivables	12	(39,467,852)	(21,304,959)
Increase/(Decrease) in trade and other payables	16	110,013,607	111,992,904
Increase/(Decrease) in lease liabilities	14	50,033,451	(30,365,052)
Increase/(Decrease) in other payables	17	19,080,589	(54,076,320)
Increase/(Decrease) in income tax payable		(9,626,637)	(25,127,724)
Net cash generated / (used) from operating activities		**(896,650,111)**	**(772,405,771)**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	6,7	(21,204,833)	(22,048,283)
Increase in right to use the assets	8	(84,188,188)	4,183,788
Net cash used in investing activities		**(105,393,021)**	**(17,864,495)**
Cash flows from financing activities			
Dividend paid		(168,767,000)	(148,404,000)
Short term borrowings	14	664,401,806	(1,086,275,964)
Corporate bonds		-	(69,010,000)
Long term borrowings	14	621,505,886	2,354,785,956
Net cash generated from financing activities		**1,117,140,692**	**1,051,095,992**
Net increase/(decrease) in cash during the year		**115,097,560**	**260,825,726**
Cash and cash equivalents as at 1 January		**518,058,749**	**257,233,023**
Cash and cash equivalents as at at 31 December		**633,156,309**	**518,058,749**

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 25.

1. General information

The entity "Iute Credit Albania" sh.a was established as a joint stock company on 4 August 2014 and operates in accordance with the Law "On Commercial Companies" and other laws regulating business in Albania. In the National Registartion Center (NRC) the Company is identified with NUIS L42011023U and its main headquarters are located at the address: "Andon Zako Cajupi Street", ND 3, Entry nr 2, Administrative Unit No. 5, Tirana.

Its registered capital is 100,000,000 Lek (31 December 2021: 65,000,000 Lek) and is owned by the sole shareholder "AS Iute Credit Europe" based in Estonia, which is the final controlling party.

The company operates as microfinance institution and approved from the Bank of Albania with license no.32, dated 31 March 2015.

The structure of the shareholders of the Company as of 31 December 2022 and 2021 is as follows:

	31 December 2022	**31 December 2021**
	%	**%**
AS Iute Credit Europe	100%	100%
Total	**100%**	**100%**

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The Financial Statements have been authorized from the management of the entity on 25 January 2023 for approval by the Assembly of Shareholders.

3. Significant accounting policies

3.1 New and revised standards effective for the periods beginning on or after 1 January 2022

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) 01 April 2021
- Onerous Contracts – Cost of Fulfilling a Contract – (Amendments to IAS 37) 01 January 2022
- Annual Improvements to IFRS Standards 2018–2020 - 01 January 2022
- Property, Plant and Equipment: Proceeds before Intended Use – (Amendments to IAS 16) 01 January 2022
- Reference to the Conceptual Framework (Amendments to IFRS 3) 01 January 2022

Standards available for early adoption

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Standards issued but not yet effective

- Classification of liabilities as current or non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

3. Significant accounting policies (continued)

3.2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost basis. The financial statements are presented in ALL. The principal accounting policies applied in the preparation of these financial statements are set out below.

Management prepared these financial statements on a going concern basis. Refer below for uncertainties and relating to events and conditions that may cast a significant doubt upon the entities ability to continue as a going concern.

3.3 Foreign currency

a) Functional and presentation currency

These financial statements are presented in Albanian Lek (Lek), unless otherwise stated, which is the Company’s functional and presentation currency.

b) Transactions in foreign 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 remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Significant exchange rates in terms of Albanian LEK for 1 unit of foreign currency at the reporting date are presented below:

	31 December 2022	31 December 2021
EURO	114.23	120.76
USD	107.05	106.54

3.4 Going concern

For the year ended 31 December 2022, the Company recognized a net profit of 281,010,848 Lek (31 December 2021: 496,373,368 7 Lek). The Company’s net current assets as at 31 December 2022 were 1,351,770,627 Lek (31 December 2021: 1,720,544,622 Lek).

These financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

The management of the company believes that it has sufficient assets and has taken all necessary measures to ensure the sustainability and development of the business of the company under the current conditions. The ability of the company to continue its activity will also depend on its continued financial support from its shareholders.

3. Significant accounting policies (continued)

3.5. Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

(ii) Subsequent costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss using the declining balance method. Land is not depreciated. Annual depreciation rates are as follows:

	2022	**2021**
Furniture and supplies	20%	20%
Electronic equipment	25%	25%

3.6 Intangible assets

(a) Software

Licenses for purchased software are capitalized on the basis of the expenditure incurred to purchase and put into use the program. Brands and customer lists purchased during business combinations that qualify for recognition are recognized as intangible assets at fair value. Annual depreciation rates based on useful life estimated for computer programs are 25%.

3.7 Right of use assets and lease liability

Leases classified as operating leases under IAS 17

Right-of-use assets are measured at:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application: the Company applied this approach to its largest property lease.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. items less than 5 thousand EURO or its equivalent in Lek).

3. Significant accounting policies (continued)

3.7 Right of use assets and lease liability (continued)

IFRS 16 Leases

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate. The weighted average rate applied is 10.38%.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

As a lessee
At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method.

Short-term leases and leases of low-value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. Significant accounting policies (continued)

3.8 Financial assets and liabilites

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value and transaction costs are expensed in the profit or loss.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Trade and other receivables are classified at amortised cost.

iii. Impairment of financial assets

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

3.9 Impairment of financial assets

If, in a subsequent period, the amount of the impairment loss is reduced and the impairment may be associated with events occurring after the impairment has been recognized (such as an improvement in the credit index), the previously recognized impairment loss is changed by adjusting the reserve account. The amount of change is recognized in income and expenses.

3.10 Impairment of non-financial assets

The carrying amount of non-financial assets, other than inventories and deferred tax assets, is reviewed at each reporting date to see if there is any indicator of impairment. If such an indicator exists, then the recoverable amount of the asset is estimated. Impairment loss is recognized if the residual value of an asset or its cash flow generating unit exceeds its recoverable amount. A cash-generating unit is the least identifiable group of assets generating cash flows that are significantly independent of the assets or other groups. Impairment losses are recognized in profit or loss. The recoverable amount of an asset or a generating unit is the largest value between the value at its disposal and its fair value after deducting the costs of the sale. In estimating the value in use, future cash flows are discounted to their present value using a discount rate (before tax) that reflects current market valuations on the time value of the asset and the specific risks of the asset. Impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment loss recovers to the extent that the residual value of the asset does not exceed the residual value that would have been determined after the amortization deduction if no impairment loss had been recognized.

3. Significant accounting policies (continued)

3.11 Share capital

The capital of the Company consists of money contributed by the founders of the Society. The Company's capital is held at the equivalent value in Lek of the contribution received in foreign currency using the exchange rate of the date of the transaction. The subscribed capital of the Company is recognized at its nominal value.

3.12 Cash and cash equivalents

Cash includes cash on hand, current accounts in banks and other liquid assets with a maturity of not more than three months which are subject to non-significant changes in their market value and are used by the Company to manage its short-term commitments. Monetary assets are held at their amortized cost in the statement of financial position.

3.13 Revenue recognition

(a) Interest income

Calculation of the effective interest rate includes all commissions paid or received, transaction costs, and discounts or premiums that are a significant component of effective interest. Transaction costs are additional costs attributable directly to the acquisition, issue or sale of the asset or financial liability. Interest income and expense included in profit or loss includes interest on financial assets and liabilities at amortized cost on an effective interest basis.

(b) Commission income

Income from fees and commissions is incurred by the financial services offered by the Company. Revenues from fees and commissions are recognized at the time the service is provided. Fee and commission expenses that are an integral part of the effective interest rate for a financial asset or liability are included in the measurement of the effective interest rate. When a loan commitment is not expected to result in a loan withdrawal, commission fees are recognized in a straight line during the period of the arrangement.

3.14 Other operating revenues

Other operating income includes commissions and other administrative fees related to the administration of penalties, which are recognized during service delivery.

3.15 Borrowings

The borrowing costs that are directly related to the acquisition, construction or production of a qualifying asset that are assets that require a considerable period of time to become ready for the purpose of their use are added to the value of such assets, as long as these assets are needed to be ready for the intended use or to be sold. All other borrowing costs are recognized in income and expenses at the time they occur.

3.16 Employee benefits

Compulsory health and social insurance

In the normal course of business, the company carries out payments by its own name and in the name of its employees to contribute to the compulsory pension according to local legislation. The costs incurred by the company are charged to the statement of income at the time they occur

3.17 Other operating expenses

Other operating expenses are recognized on an accrual basis when they occur.

3. Significant accounting policies (continued)

3.18 Current and deferred income tax

Profit tax expense includes current and deferred tax. Profit tax expense is recognized in income unless it refers to items recognized directly in equity or other comprehensive income. The current tax is the expected tax payable on the payable income of the year, using the tax rates adopted or substantially approved at the balance sheet date, and any adjustments to the profit tax payable for the previous year. The current profit tax rate is 15% on taxable profit.

Deferred tax is recognized using the balance method, creating provisions for temporary differences between the tax base and residual values of assets and liabilities for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they are reversed, based on the legislation in force or which will enter into force later in the repossession period.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reduced to the extent that the tax benefits related to them are likely to be realized.

3.19 Provisions

Provisions are recognized when: The Company has a current or constructive legal obligation as a result of past events; there is more to chance than a reduction in resources will be needed to pay off the obligation; and the amount can be estimated reliably.

If their effect is significant, provisions are determined by discounting the expected cash flows with a pre-tax rate that reflects the current valuation of the time value of money and, where appropriate, the specific liability-related risks. Provisions are reviewed every reporting date and if it is not possible for a resource reduction to be required to settle the obligation, the provisons should be canceled. Provisions are only used for the purpose for which it was originally created. Provisions are not recognized to cover future operating losses.

3.20 Related party transactions

Transactions with related parties include the shareholders and the directors of the company, together with the entities they control, which may exert considerable influence on the operations and management of the Company. Considering each potential third party attention is given to the essence of the relationship and not just the legal form.

3.21 Contingencies and commitments

Conditional liabilities are not recognized in the financial statements. They are reflected in the explanatory notes except where the opportunity to consume resources that have economic benefits is low. Conditional Assets are not recognized in the financial statements but are presented in explanatory notes when an entry of economic benefits is possible.

The amount of the contingent loss is recognized as proving if it is probable that future events will confirm the provision, an obligation is recognized on the statement of financial position when an acceptable loss estimate can be made reliably.

3.22 Events after the reporting date

Events after the reporting date that provide additional information on the Company's position on the financial position statement (regulatory events) are reflected in the financial statements. After-balance-sheet events that are not regulatory events are presented in the notes when they are material.

4. Use of estimates and judgement

In the application of the company's accounting policies set out in note 3, management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not clearly apparent from other sources. The related assessments and assumptions are based on historical experience and other factors that are considered relevant. Current results may differ from these estimates.

Judgement and assumptions are regularly reviewed. Revisions to accounting estimates are recognized in the period at which the assessment is reviewed if the review affects only that period or the review period and in future periods if the review affects both current and future periods.

Uncertainty in estimation

Impairment of non-financial assets

An impairment loss is recognized to the extent that the carrying amount of the asset exceeds its recoverable amount. When determining the recoverable amount, the direction estimates the expected prices and cash flows from each cash-generating unit and establishes an appropriate interest rate when calculating the present value of these flows.

The useful lives of depreciable assets

The management reviews the useful life of depreciable assets at each balance sheet date. The management judges that the determined useful life of assets represents the expected asset benefit. The carrying values of these assets are analyzed in Notes 6 and 7. However, actual results may change due to outflows out of use by technological changes.

Impairment of financial assets

The Company regularly tests the impairment of its receivables. When conducting these tests, the Company takes into account the regular payments made, ie the debtor, its financial position and operations, the receipt of payments from financial instruments and a number of other criteria used to assess the receivables.

Impairment of financial instruments: determining inputs into the ECL (expected credit losses) model, including incorporation of forward-looking information.

5. Financial risk managment

Financial risk factors

The Company’s policies and procedures provide guidance to monitor and manage the financial risks relating to the operations of the Company. These risks include credit risk, market risk (including currency risk and interest rate risk) and liquidity risk.

Risk management is carried out by the Management based on certain pre – approved written policies and procedures that cover overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of appropriate securities and investing excess liquidity

Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk which result from both its operating and investing activities.

Foreign currencies risk

The Company does not undertake transactions denominated in foreign currencies and, consequently, there are no exposures to exchange rate fluctuations.

Cash flow and fair value interest rate risk

The Company’s income and operating cash flows are substantially dependent on changes in market interest rates. The Company’s interest rates risk mainly arises from leases, interest-bearing assets and borrowings. Leases entered into a variable rate as well as borrowings with fixed interest rates expose the Company to cash flow interest rate risk. In order to mitigate its interest rate risk exposure, the Company enters into finance leasing contracts using terms similar to those borrowings are obtained. The finance leases are re-priced frequently to reflect developments in the market.

As result of the above, the Company achieved to a large extent a matching of the reprising risk on assets and liabilities by minimizing interest rate risk. If the market interest rate changed, this change would not have a significant impact on the Company financial result.

5. Financial risk management (continued)

(a) Foreign exchange risk

The exchange rate risk is the risk that comes as a result of the exchange rate fluctuation. The total exposure to the exchange rate risk for the company at 31 December 2022 and 2021 is as follows:

31 December 2022	**EURO**	**USD**	**Lek**	**Total**
Financial assets				
Loans and advances to customers	-	-	5,941,629,872	5,941,629,872
Cash and cash equivalents	143,898,678	-	489,257,631	633,156,309
Receivables with financial institutions	-	-	41,182,038	41,182,038
Other receivables	411,227	-	83,658,838	84,070,065
	144,309,905	**-**	**6,555,728,379**	**6,700,038,284**
Financial liability				
Borrowings	-	-	4,759,578,874	4,759,578,874
Corporate bonds	-	-	-	-
Lease liabilities	112,234,472	-	8,896,658	121,131,130
Trade and other payables	148,802,711	-	232,594,907	381,397,618
Other liabilities	-	-	83,135,071	83,135,071
	261,037,183	**-**	**5,084,205,510**	**5,345,242,693**
Net Position	**(116,727,278)**	**-**	**1,471,522,869**	**1,354,795,591**

31 December 2021	**EURO**	**USD**	**Lek**	**Total**
Financial assets				
Loans and advances to customers	-	-	4,599,964,666	4,599,964,666
Cash and cash equivalents	318,690,713	-	199,368,036	518,058,749
Receivables with financial institutions	-	-	21,052,263	21,052,263
Other receivables	5,458	-	44,596,755	44,602,213
	318,696,171	**-**	**4,864,981,720**	**5,183,677,891**
Financial liability				
Borrowings	-	-	3,473,671,182	3,473,671,182
Corporate bonds	-	-	-	-
Lease liabilities	62,561,439	-	8,536,240	71,097,679
Trade and other payables	190,936,440	-	80,447,571	271,384,011
Other liabilities	-	-	64,054,482	64,054,482
	253,497,879	**-**	**3,626,709,475**	**3,880,207,354**
Net Position	**65,198,292**	**-**	**1,238,272,245**	**1,303,470,537**

A sensitivity test performed by an increase-decrease in exhcnage rates during the period for a range of potential changes of 1% to 5%, as at the reporting date of the financial statements would have increased / decreased the profit for the period from (1,167,273) LEK to (5,836,364) LEK respectively (31 December 2021: from 651,983 LEK to 3,259,915 LEK).

5. Financial risk managment (continued)

(b) Credit risk

Credit risk is the risk that counterparty fails to discharge an obligation to the Company. The Company's total exposure to credit risk as at 31 December 2022 and 2021 is presented below:

	2022	**2021**
Loans and advances to customers	5,941,629,872	4,599,964,666
Cash and cash equivalents	633,156,309	518,058,749
Receivables with financial institutions	41,182,038	21,052,263
Other receivables	84,070,065	44,602,213

The Company has policies in place to ensure that finance services are provided to customers with an appropriate credit history.

Credit risk management is realised through:

- Adoption of credit risk policies containing criteria for credit assessment, risk grading and reporting, documentary and legal procedures as well as compliances to regulatory and statutory requirements.
- Establishing and monitoring of the delegation levels and escalating process regarding credit approvals.
- Reviewing and assessing credit risk.
- Developing and maintaining the Company's risk grading in order to categorize exposures according to the degree of credit risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures.

Receivables that have not recorded delays and are not depreciated represent contracts with no due days in repayment of principal and interest. The loan portfolio is tested for impairment at each reporting date.

There are no significant credit risk concentrations because the portfolio is formed by a large number of small customers.

The Company has developed a system for assessing the borrowing ability and the portfolio client's situation that shows no evidence of impairment, which is determined on a portfolio basis, and depends on the dates of payment under the contracts.

5. Financial risk managment (continued)

(b) Credit risk

Inputs, assumptions and techniques used for estimating impairment

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company has implemented a model based on which the financial instruments are classified into three stages as follows:

- Stage 1 – When a loan is first recognized, or loans where the credit risk is improved and loans are reclassified from Stage 2 to Stage 1, all non-defaulted loans with less than 5 days past due;
- Stage 2 – When a loan has shown a significant increase in the credit risk, or loans where the credit risk is improved and loans are reclassified from Stage 3 to Stage 2, all non-defaulted loans with more than 5 days past due;
- Stage 3 – Loans considered as credit impaired, all defaulted loans.

Upon initial recognition financial instruments are clasified under stage 1, the 12 months expected credit losses model is used to assess the ECL.

Under stage 2 and 3, the lifetime expected credit losses model is used to assess the ECL.

The Company has defined and estimated the following three factos when estimating ECL:

- The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD (probability of default) of exposures and how these are expected to change as a result of the passage of time.
- The Company estimates the LGD (loss given default) at each reporting date, which represents the percentage out of the exposure lost by the Company in case the client defaults.
- The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The calculation considers the future estimated evolution of the GDP growth.

5. Financial risk management (continued)

(b) Credit risk (continued)

Loans and advances to customers of the Company on 31 December 2022 are as follows:

31 December 2022

	Total receivable	Provision	Net receivables
30 days past due	5,415,307,807	81,236,666	5,334,071,141
Within 31-90 days past due	300,930,451	82,156,858	218,773,593
Within 91-180 days past due	297,364,280	117,414,900	179,949,380
Within 181-365 days past due	377,201,347	191,670,491	185,530,856
Over 365 days past due	108,352,033	85,047,131	23,304,902
Total	**6,499,155,918**	**557,526,046**	**5,941,629,872**

Loans and advances to customers of the Company on 31 December 2021 are as follows:

31 December 2021

	Total receivable	Provision	Net receivables
30 days past due	4,200,811,580	71,987,766	4,128,823,814
Within 31-90 days past due	225,200,612	84,395,426	140,805,186
Within 91-180 days past due	215,237,105	79,077,371	136,159,734
Within 181-365 days past due	322,898,738	161,104,612	161,794,126
Over 365 days past due	213,802,112	181,420,306	32,381,806
Total	**5,177,950,147**	**577,985,481**	**4,599,964,666**

The liquidity risk of liquid funds and derivative financial instruments is limited because the other parties are the bank with a high level of credit assessment attributed by the international credit rating agencies.

Write off policies

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The decision to writte off loans is taken based an analysis of the following triggers:

- The loan is classified as problematic, and the Company has no reasonable assurance for recovering the loan;
- The client has died and has no other related family and/or guarantee to repay the loan;
- The loan is more than 365 days past due;
- The loan is classified as lost from supervisory authorities and its writte off is required.

The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

5. Financial risk management (continued)

(c) Liquidity risk

The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Company's contractual maturity of its financial assets and liabilities with agreed repayment period:

31 December 2022	**Up to 6 months**	**6-12 months**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
Financial assets						
Loans and advances to customers	712,196,901	1,242,874,531	2,192,728,655	1,793,829,785	-	5,941,629,872
Cash and cash equivalents	633,156,309	-	-	-	-	633,156,309
Receivables with financial institutions	41,182,038	-	-	-	-	41,182,038
Other receivables	84,070,065	-	-	-	-	84,070,065
	1,470,605,313	**1,242,874,531**	**2,192,728,655**	**1,793,829,785**	**-**	**6,700,038,284**
Financial liability						
Borrowings	690,390,360	145,514,571	581,393,915	3,342,280,028	-	4,759,578,874
Corporate bonds	-	-	-	-	-	-
Lease liabilities	-	37,491,086	-	83,640,044	-	121,131,130
Trade and other payables	381,397,618	-	-	-	-	381,397,618
Other liabilities	83,135,071	-	-	-	-	83,135,071
	1,154,923,049	**183,005,657**	**581,393,915**	**3,425,920,072**	**-**	**5,345,242,693**
Net position	**315,682,264**	**1,059,868,874**	**1,611,334,740**	**(1,632,090,287)**	**-**	**1,354,795,591**

31 December 2021	**Up to 6 months**	**6-12 months**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
Financial assets						
Loans and advances to customers	1,613,803,294	1,012,437,668	1,506,076,462	467,647,242	-	4,599,964,666
Cash and cash equivalents	518,058,749	-	-	-	-	518,058,749
Receivables with financial institutions	21,052,263	-	-	-	-	21,052,263
Other receivables	44,602,213	-	-	-	-	44,602,213
	2,197,516,519	**1,012,437,668**	**1,506,076,462**	**467,647,242**	**-**	**5,183,677,891**
Financial liability						
Borrowings	183,267,745	92,011,327	182,509,110	3,015,883,000	-	3,473,671,182
Corporate bonds	-	-	-	-	-	-
Lease liabilities	-	32,124,020	-	38,973,659	-	71,097,679
Trade and other payables	271,384,011	-	-	-	-	271,384,011
Other liabilities	64,054,482	-	-	-	-	64,054,482
	518,706,238	**124,135,347**	**182,509,110**	**3,054,856,659**	**-**	**3,880,207,354**
Net position	**1,678,810,281**	**888,302,321**	**1,323,567,352**	**(2,587,209,417)**	**-**	**1,303,470,537**

6. Property plant and equipment

	Furniture and supplies	Electronic equipment	Leasehold improvements	Total
Cost				
On 1 January 2021	**27,653,144**	**21,859,367**	**15,016,746**	**64,529,257**
Additions	5,698,869	13,341,173	3,606,320	22,646,362
Disposals	(809,548)	(401,649)	-	(1,211,197)
As at 31 December 2021	**32,542,465**	**34,798,891**	**18,623,066**	**85,964,422**
Additions	4,613,277	13,043,711	11,533,674	29,190,662
Disposals	-	(11,511,119)	-	(11,511,119)
As at 31 December 2022	**37,155,742**	**36,331,483**	**30,156,740**	**103,643,965**
Accumulated Depreciation				
On 1 January 2021	**(8,765,561)**	**(8,876,904)**	**(1,540,380)**	**(19,182,845)**
Depreciation for the year	(2,796,389)	(5,632,215)	(1,514,845)	(9,943,449)
Disposals	409,718	203,278	-	612,996
As at 31 December 2021	**(11,152,232)**	**(14,305,841)**	**(3,055,225)**	**(28,513,298)**
Depreciation for the year	(5,896,486)	(5,281,370)	(255,395)	(11,433,251)
Disposals	-	3,525,290	-	3,525,290
As at 31 December 2022	**(17,048,718)**	**(16,061,921)**	**(3,310,620)**	**(36,421,259)**
Net Book Value				
On 1 January 2021	**18,887,583**	**12,982,463**	**13,476,366**	**45,346,412**
As at 31 December 2021	**21,390,233**	**20,493,050**	**15,567,841**	**57,451,124**
As at 31 December 2022	**20,107,024**	**20,269,562**	**26,846,120**	**67,222,706**

7. Intangible assets

	Intangible assets	Total
Cost		
On 1 January 2021	**37,103,626**	**37,103,626**
Additions	122	122
As at 31 December 2021	**37,103,748**	**37,103,748**
Additions	-	-
As at 31 December 2022	**37,103,748**	**37,103,748**
Accumulated Depreciation		
On 1 January 2021	**(20,129,470)**	**(20,129,470)**
Depreciation for the year	(4,243,554)	(4,243,554)
As at 31 December 2021	**(24,373,024)**	**(24,373,024)**
Depreciation for the year	(3,182,681)	(3,182,681)
As at 31 December 2022	**(27,555,705)**	**(27,555,705)**
Net book value		
On 1 January 2021	**16,974,156**	**16,974,156**
As at 31 December 2021	**12,730,724**	**12,730,724**
As at 31 December 2022	**9,548,043**	**9,548,043**

8. Right of use assets

	Right of use asssets
Cost	
On 1 January 2021	**166,994,612**
Additions	(4,183,788)
As at 31 December 2021	**162,810,824**
Additions	89,741,165
Disposals	(39,912,710)
As at 31 December 2022	**212,639,279**
Accumulated depreciation	
On 1 January 2021	**(63,553,723)**
Depreciation of the period	(37,468,199)
As at 31 December 2021	**(101,021,922)**
Depreciation of the period	(39,484,932)
Disposals	34,359,733
As at 31 December 2022	**(106,147,121)**
Net book value	
On 1 January 2021	**103,440,889**
As at 31 December 2021	**61,788,902**
As at 31 December 2022	**106,492,158**

9. Loans and advances to customers

Loans and advances to customers as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Loans and advances to customers long term	4,333,646,675	3,468,645,956
Loans and advances to customers short term	2,165,509,243	1,709,304,191
Impairment	(557,526,046)	(577,985,481)
Total	**5,941,629,872**	**4,599,964,666**

Provisions for the impairment of loans granted are detailed as follows:

Impairment	31 December 2022	31 December 2021
30 days past due	81,236,666	71,987,766
Within 31-90 days past due	82,156,858	84,395,426
Within 91-180 days past due	117,414,900	79,077,371
Within 181-365 days past due	191,670,491	161,104,612
Over 365 days past due	85,047,131	181,420,306
Total	**557,526,046**	**577,985,481**

9. Loans and advances to customers (continued)

Movement in provisions for impairment of loans is as follows:

	2022	2021
Movement in provisions		
Balance as at 1 January	577,985,481	547,604,380
Impairment expense during the period	1,086,601,083	805,123,359
Impairment reversal due to written off interests	(767,932,157)	(645,984,202)
Impairment reversal due to written off principal	(339,128,361)	(128,758,056)
Balance as at 31 December	**557,526,046**	**577,985,481**

10. Cash and cash equivalents

	31 December 2022	31 December 2021
Cash in banks	471,041,309	336,918,749
Short term deposit	162,115,000	181,140,000
Total	**633,156,309**	**518,058,749**

Short term deposit is comprised of a deposit amounted 5,000,000 Lek in First Investment Bank as of 29 July 2022, used as a guarantee for the loan amounted 60,000,000 Lek received from First Investment Bank, and from 1 month term deposits in BKT as of December 30, 2022 in the amount of 100,000,000 ALL and 500,000 EUR, with interest rates of 0.75% and 0.15%, respectively.

11. Receivables from financial institutions

	31 December 2022	31 December 2021
Receivables from financial institutions	59,346,743	39,216,968
Impairment for receivables from financial institutions	(18,164,705)	(18,164,705)
Total	**41,182,038**	**21,052,263**

12. Other receivables

	31 December 2022	31 December 2021
Customers	16,575,703	4,839,920
Other debtors	54,282	13,241,577
Prepayments	8,360,990	9,836,836
Prepayment of income tax	43,552,342	-
Receivables from execution	10,392,382	10,165,257
Receivables interest	4,541	5,458
Deferred expenses	4,394,826	4,051,024
Other receivables	22,806,628	22,880,369
Impairment for other receivables	(22,071,629)	(20,418,228)
Total	**84,070,065**	**44,602,213**

13. Borrowings

Long-term loan payable is stated as follows:

	31 December 2022	31 December 2021
Borrowing from AS IuteCredit Europe	3,211,051,000	3,201,538,000
Borrowing from Mintos Market Place AS	393,622,943	20,630,057
Borrowings from Tirana Bank	319,000,000	80,000,000
Total	**3,923,673,943**	**3,302,168,057**

13. Borrowings (continued)

Short-term loan payable is stated as follows:

	31 December 2022	**31 December 2021**
Borrowing from Mintos Market Place AS	338,414,397	21,309,872
Borrowing from Tirana Bank	211,000,000	80,000,000
Borrowing from FiB Bank	48,139,186	-
Accrued ICE interest for the borrowing	230,817,666	70,025,328
Accrued interest for the borrowing from Mintos	5,482,300	167,925
Accrued interest for the borrowing from Tirana Bank	2,051,382	-
Total	**835,904,931**	**171,503,125**

14. Lease liability

Lease liability as at 31 December 2021 is as follows:

	31 December 2022	**31 December 2021**
Short term	37,491,086	32,124,020
Long term	83,640,044	38,973,659
Total	**121,131,130**	**71,097,679**

15. Provisions

Provisions amounting to 23,780,511 Lek as at 31 December 2022 (31 December 2021: 23,780,511 Lek), relate to the provisions created by the Company for potential claims from third parties.

16. Trade and other payables

Trade and other payables are stated as follows:

	31 December 2022	**31 December 2021**
Accruals	178,425,624	33,254,376
Trade payables	202,723,516	225,260,702
Grants	-	18,918
Prepayments received	248,478	12,850,015
Total	**381,397,618**	**271,384,011**

17. Other payables

Other short term payables are stated as follows:

	31 December 2022	**31 December 2021**
Deferred revenues	23,752,703	13,858,087
VAT payable	13,514,837	11,553,896
Salary payable	16,443,452	3,728,460
Social and health contribution payable	5,924,746	5,075,523
Personal income tax payable	6,414,205	7,073,119
Bonuses for employees	722,659	17,482,850
Other employee liabilities	1,697,401	74,000
Withholding tax	14,665,068	5,208,547
Total	**83,135,071**	**64,054,482**

18. Share capital

The registered capital of the company, presented in the balance sheet, is the same as that set forth in the company's charter and the decisions deposited at the GCB. The registered capital as of 31.12.2022 is 100,000,000 Lek, divided into 100,000 shares with a nominal value of 1,000 Lek / share (31 December 2021: 65,000,000 Lek). The registered capital is owned by the sole shareholder of "AS IuteCredit Europe" based in Estonia. On 4 March 2022, with the decision of the sole shareholder, Iutecredit Albania has increased the registered capital with 35,000,000 ALL from the retain earnings.

The legal reserve amounts to 10,000,000 Lek as of 31 December 2022 (31 December 2021: 6,500,000 Lek).

19. Net interest income

	31 December 2022	**31 December 2021**
Interest income		
Interest income from loans and advances to customers	618,251,332	570,334,731
Income from bank interest	26,430	6,231
Interest expense		
Other financial expenses	(111,245,925)	(113,897,161)
Interest expense from borrowing from Mintos	(46,062,137)	(271,431,453)
Interest expense from borrowing from parent company	(355,194,004)	(103,060,257)
Total	**105,775,696**	**81,952,091**

20. Commission and other income

	31 December 2022	**31 December 2021**
Commission income	1,101,452,072	1,182,275,295
Other income	1,622,655,920	1,354,622,924
Total	**2,724,107,992**	**2,536,898,219**

21. Administrative expenses

Administrative expenses are composed as follows:

	31 December 2022	**31 December 2021**
Marketing and advertising	107,815,076	56,367,164
Management compensation and agent bonuses	97,482,041	104,429,656
Expenses for marketing, IT and consultancy	781,791,398	328,421,459
Repair and maintenance PPE	2,453,697	2,498,880
Administrative expenses debt collection and legal	52,452,844	53,883,883
Postal and communication expenses	31,039,404	26,255,985
Consultancy expenses	5,497,735	4,738,824
Travel and accomodation	5,560,601	2,543,990
Bank commissions	1,442,781	1,078,850
Transport	6,887,328	29,352,240
Energy, water and utilities	3,609,621	3,385,735
IT expenses	12,873,900	209,936,845
Other	247,069,335	196,373,838
Total	**1,355,975,761**	**1,019,267,349**

22. Personnel expenses

Personnel expenses are composed as follows:

	31 December 2022	**31 December 2021**
Salary and compensation	284,318,279	228,574,185
Social and health contributions	34,135,169	27,160,359
Personel Leasing	2,565,817	-
Bonuses	7,871,311	9,186,913
Total	**328,890,576**	**264,921,457**

23. Income tax expense

Calculated tax on the profit before the Company's profit differs from the amount that should be utilized by the weighted average tax rate applied to the Company's result as follows:

	Tax rate	**2022**	**Tax rate**	**2021**
Profit before income tax		**334,956,078**		**595,888,772**
Income tax at 15% rate	15%	50,243,412	15%	89,383,316
Fiscal effect for:				
Undeductable expense from the application of IFRS 16				
Actual operating lease expenses		(6,774,058)		(5,811,520)
Interest expenses from lease liability from IFRS 16		1,419,026		729,510
Depreciation charge from the right to use assets from IFRS 16		5,922,740		5,620,230
Exchange rate effects from IFRS 16		(107,887)		(538,220)
Provision expenses		-		1,959,294
Depreciation, fines and penalties		266,682		2,333,494
Interest expenses		2,428,168		-
Other unknown expense		547,147		5,839,290
Income tax expense		**53,945,230**		**99,515,394**

Income tax payable as at 31 December 2022 is nil (2021: 9,626,637 Lek).

24. Related parties' transactions

In conducting business, the Company has entered into various business transactions with related parties. The related parties with which the Company has conducted business transactions are as follows:

	2022	2021
AS Iute Credit Europe		
Statement of profit and loss		
Interest and commission expenses	355,194,004	103,060,257
Management fees expenses	781,791,398	687,666,340
Group guarantee expenses	76,796,543	88,464,660
Statement of financial position		
Accrued interest	230,817,666	70,025,328
Borrowing	3,211,051,000	3,201,538,000
Payables inside the Group	143,379,098	187,997,530
Management compensation		
Salary including bonuses and other benefits	39,544,852	40,371,146

25. Contingencies and commitments

Legal Disputes
During normal business activity, the Company is not involved in legal matters. During 2022, the Company is under a legal process with third parties, claiming potential liabilities from the Company. Due to the above the Company has created a provision for potential legal claims during 2022, as disclosed in Note 16.

Tax liabilities
For 2016-2022, the Company's records and bookkeepers have not been inspected by the local tax authorities. The company has followed all the rules in the calculation of tax liabilities, however their interpretations by the tax authorities may differ from those of the Company.

26. Other notes

Disclosed under Note 22 are Personel Expenses. A detailed breakdown of average number of employees for each category of employees is detailed as follows:

	Employee category	31 Dhjetor 2022	31 Dhjetor 2021
Average number of employees		7	6
Salary expenses	High Management	54,574,187	54,225,154
Social charges expenses	High Management	2,507,797	2,398,828
Average number of employees		15	20
Salary expenses	Middle Management	47,991,201	48,145,205
Social charges expenses	Middle Management	4,252,962	5,024,300
Average number of employees		119	102
Salary expenses	Other staff	189,671,338	135,390,739
Social charges expenses	Other staff	27,327,274	19,737,231
Total		**326,324,759**	**264,921,457**

27. Events after the reporting date

There are no other events after the reporting date that may require adjustments or presentation of information in the Company's financial statements.