

**DTC**  
A U D I T

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Numărul individual 1905086 din Registrul public al entităţilor de audit

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# **AUDITORS' REPORT**

**on the Financial Statements**

**prepared in accordance with National Accounting Standards**

**for the year ended December 31<sup>ST</sup>, year 2023**

**of the Non-Banking Credit Organization PRIMA FINANTARE LLC**

**Chişinău, 2024**

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## GENERAL INFORMATION

Non-Banking Credit Organization PRIMA FINANTARE LLC ("the Company") was incorporated in May 05<sup>th</sup> 2010 year, according to the Certificate of Registration nr.MD 0095695, issued by the Ministry of Information Development from Republic of Moldova, with the purpose of granting and managing loans, providing guarantees on loans and bank loans, make investments according to *the Law on non-banking credit organizations no.01 dated 16.03.2018*, approved by the Parliament of Rep.of Moldova.

Its registered address is: 10 Nationala str., Ungheni city, Republic of Moldova.

The Company's offices are located on:

- 10, Nationala street, Ungheni city, Rep.of Moldova;
- 10, Crestiuc street, Ungheni city, Rep.of Moldova;
- 28, Mihai Eminescu street, Calarasi city, Rep.of Moldova;
- 1, Iu.Gagarin Avenue, Chisinau city, Rep.of Moldova;
- 1, Barbu Lautaru street, Cimislia city, Rep.of Moldova;
- 1/C, Stefan cel Mare street, Causeni city, Rep.of Moldova;
- 13, Independentei street, Riscani city, Rep.of Moldova;
- 13V, 31 August 1989 street, Cahul city, Rep.of Moldova;
- 21/4, 31 August 1989 street, Edinet city, Rep.of Moldova;
- 33, 31 August 1989 street, Drochia city, Rep.of Moldova;
- 1/3 Independenței street, Briceni city, Rep. of Moldova;
- 6, Chisinaului street, Hincesti city, Rep. of Moldova.

The Company's number of employees as at 31 December 2023 was 62 persons.

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

- Cozmolici Sergiu - Chairman of the Board;
- Secrieru Natalia – Executive Director;
- Gulica Natalia – Chief Accountant.

### ***Description of Business and Consumer loan products***

Currently, the company operates in Ungheni, Calarasi, Cimislia, Causeni, Riscani, Cahul, Edinet, Drochia, Hincesti, Briceni and Chisinau regions of the Rep. of Moldova, offering loans to privates enabling them to repair their houses, for sanitation, for education of members of their families, loans to businesses in order to foster trade and commerce. The main activity of this region is agriculture and commerce.

#### **Business Model**

<b>Key Partners</b> Local banks, Kiva, Coopest, Helenos, EMF Microfinance Fund (AGmvK), Fondation Grameen, GLS Alternative, Persons, SMEs	<b>Key Activities</b> Loans Insurances	<b>Value Proposition</b> Fast, simple loans and insurances for disadvantaged people. We help people to fulfill their dreams.	<b>Customer Relationships</b> Long term partnership	<b>Customer Segments</b> Rural people from Moldova
	<b>Key Resources</b> Team, Software Money		<b>Channels</b> Branches, Referents, Billboards, Flyers Newspapers	
<b>Cost Structure</b> Money, HR		<b>Revenue Streams</b> Interest, commissions loans, Commissions on insurances		

Organization's loan products are secured by guarantor up to 1mln MDL, starting from 18.05.2023 maximum amount 500.000,00 MDL for business and consumer loans with maturity of at least 12 months and not more than 72 months, depending on the loan amount, maturity and type of customer. Real estate loans maximum amount 800.000 MDL secured by real estate collateral with maturity of at least 12 months and not more than 180 months. The financial ratios ROE (*Return on Equity*) and ROA (*Return on Assets*) registered in 2023 year the values of 16,87 % and 4,45 %.

All procedures of the company's activity are established and described in the Internal Operational Handbook, approved by the board of the company according to the minute's nr.15 from 30.12.2023.

#### ***Description of revenue base***

The Company's revenue consists of (i) loan agreement commission fees, which are charged for receiving, processing the loan application and issuing the loan, or modifying the valid loan conditions; (ii) interest, which is charged on the outstanding principal amount; and (iii) various fees applied in case of different breaches of loan agreement. Company business is built on the concept that we need only performing customers and we want to avoid situations with poorly performing or defaulting loans. Therefore, the majority of Company's interest and fees income is coming from the normally performing customers. Fees applied in cases of different breaches are targeted, as a whole, to compensate the lost money that we should have otherwise received duly according to the original loan agreements.

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## INDEPENDENT AUDITOR'S REPORT

### Opinion

We have audited the financial statements of the Non-Banking Credit Organization PRIMA FINANTARE LLC which comprise the statement of financial position as at December 31, 2023, income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with National Accounting Standards (NAS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements of the Non-Banking Credit Organization PRIMA FINANTARE LLC, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with National Accounting Standards, and with normative acts approved by the National Commission for Financial Market and National Bank of Moldova.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative, but to do so.

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

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

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## **Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control;
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
  - Conclude on the appropriateness of management's use of the going concerns basis of accounting and, based the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue activity. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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

**Other Matters**

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

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

**Tatiana NICORA***Licensed Auditor, Director**Certificate of audit qualification nr. AG 000194 issued on 08.02.2008**Certificate of audit qualification nr. APFN 0000078 issued on 19.11.2015**„DTC Audit” SRL / Registration no. 1905086***Chișinău, Republic of Moldova****March 11, 2024**

**O.C.N. PRIMA FINANTARE S.R.L.**  
**BALANCE SHEET**  
**PREPARED AS AT 31 DECEMBER 2023**

	Notes*	2023 MDL	2022 MDL
<b>ASSETS</b>			
Cash in hand	2	1 641 625	643 460
Current bank accounts	2	12 695 551	12 173 742
Other cash equivalents	2	223 092	274 503
Investments in securities and shares	2.1	8 930 830	220 000
Changing the value of investments in securities and shares		-	-
Deposits with banks		20 915 362	23 191 559
Loans and borrowings to customers	3	140 362 683	137 786 570
Provisions for loans and borrowings impairment	4	-9 696 004	-9 152 280
Receivables on income accrued (interests on loans, commissions, penalties, etc.)	4	2 626 243	1 995 690
Provisions for interests on loans and borrowings	4	-271 647	-219 734
Property and equipment, intangible assets – net	5	4 070 914	3 596 683
Other assets	6	1 981 982	1 869 497
<b>Total Assets</b>		<b>183 480 631</b>	<b>172 379 690</b>
<b>LIABILITIES</b>			
Deposits for providing loans		-	-
Bank credits, loans and borrowings received	7	130 213 229	126 868 446
Due to interests on bank credits, loans and borrowings received	7	3 535 311	3 313 514
Other liabilities	8	528 552	291 315
<b>Total Liabilities</b>		<b>134 277 092</b>	<b>130 473 275</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		2 075 194	2 075 194
Unpaid capital		-	-
Withdrawn capital		-1 002 515	-
Legal reserves		208 727	208 727
Other reserves		-	-
Correction of results from previous years		-	-
Retained earnings (uncovered loss) of previous years		39 284 684	39 284 684
Net profit (loss) for the year		8 299 639	-
Profit use of the year (Dividends prepaid)		-	-
Additional Capital		-	-
Difference on revaluation of long-term assets		337 810	337 810
Subsidies		-	-
<b>Total Equity</b>		<b>49 203 539</b>	<b>41 906 415</b>
<b>Total Liabilities and Equity</b>		<b>183 480 631</b>	<b>172 379 690</b>

These financial statements were authorized to be issued on 28 February 2024 by Organization's directors represented by:

**Mrs. Secieru Natalia, Executive director** \_\_\_\_\_

**Mrs. Gulica Natalia, Chief-accountant** \_\_\_\_\_

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



**O.C.N. PRIMA FINANTARE S.R.L.**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes*	2023 MDL	2022 MDL
Interest income on granted loans and borrowings	9	39 095 641	36 877 531
Other interest income		7 432	971
Interest expenses and similar charges related to bank credits, loans and borrowings received	10	12 329 451	12 416 519
Net result from the calculation and reverse of provisions for impairment of granted loans and borrowings	11	-3 781 419	-3 088 849
<b>Gross profit/ (loss)</b>		<b>22 992 203</b>	<b>21 373 134</b>
Other operating income (commissions, penalties, other rendered services)	12	8 714 586	7 100 549
General and administrative expenses	13	23 465 751	19 104 936
Other operating expenses	14	270 689	130 980
<b>Operating profit/ (loss)</b>		<b>7 970 349</b>	<b>9 237 767</b>
<b>Investment gain/ (loss) – net</b>		-	-
<b>Financial gain/ (loss) – net</b>	15	1 618 526	-932 295
<b>Profit/ (loss) of the period before tax</b>		<b>9 588 875</b>	<b>8 305 472</b>
<b>Income tax expenses</b>	16	<b>-1 289 236</b>	<b>-1 073 733</b>
<b>Net profit (loss)</b>		<b>8 299 639</b>	<b>7 231 739</b>

These financial statements were authorized to be issued on 28 February 2024 by Organization's directors represented by:

**Mrs. Secrieru Natalia, Executive director** \_\_\_\_\_

**Mrs. Gulica Natalia, Chief-accountant** \_\_\_\_\_

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

O.C.N. PRIMA FINANTARE S.R.L.  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023

	Value at the end of 2022 year MDL	Increases MDL	Decreases MDL	Value at the end of 2023 year MDL
<b>Share and additional capital</b>				
Share capital	2 075 194	-	-	2 075 194
Withdrawn capital	-	-1 002 515	-	-1 002 515
<b>Total Share and additional capital</b>	<b>2 075 194</b>	<b>-1 002 515</b>	<b>-</b>	<b>1 072 679</b>
Legal reserves	208 727	-	-	208 727
Other reserves	-	-	-	-
<b>Total Reserves</b>	<b>208 727</b>	<b>-</b>	<b>-</b>	<b>208 727</b>
<b>Retained earnings (loss)</b>				
Correction of results from previous years	-	-	-	-
Retained earnings (loss) of previous years	39 284 684	-	-	39 284 684
Net profit (loss) of current year	-	8 299 639	-	8 299 639
<b>Total Retained earnings</b>	<b>39 284 684</b>	<b>8 299 639</b>	<b>-</b>	<b>47 584 323</b>
Additional Capital	-	-	-	-
Difference on revaluation of long-term assets	337 810	-	-	337 810
<b>Total Non-owner's capital</b>	<b>337 810</b>	<b>-</b>	<b>-</b>	<b>337 810</b>
<b>TOTAL Fund Balance and Reserves</b>	<b>41 906 415</b>	<b>7 297 124</b>	<b>-</b>	<b>49 203 539</b>

These financial statements were authorized to be issued on 28 February 2024 by Organization's directors represented by:

**Mrs. Secrieru Natalia, Executive director** \_\_\_\_\_

**Mrs. Gulica Natalia, Chief-accountant** \_\_\_\_\_

**O.C.N. PRIMA FINANTARE S.R.L.**  
**CASH FLOW STATEMENT (Direct Method)**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	<b>2023</b>
	<b>MDL</b>
<b><i>OPERATING ACTIVITIES</i></b>	
1.1 Cash Flow	
Interest receipts	40 895 613
Interest payments	12 284 856
Other cash receipts related to operational activity	7 136 697
Payments to employees and social contributions	11 730 273
Other payments related to operational activity	13 915 214
<b>Total 1.1</b>	<b>10 101 967</b>
1.2 Increase (decrease) in assets	
Receipts from bank deposits	5 252 578
Receipts from the repayment of loans and borrowings	104 335 546
Payments of granted loans and borrowings	109 875 936
Payments of bank deposits	9 771 391
Receipts (payments) related to other current assets	-
<b>Total 1.2</b>	<b>- 10 059 203</b>
1.3 Increase (decrease) in liabilities	
Receipts of banks credit, loans and borrowings received	51 480 371
Repayment of banks credit, loans and borrowings received	45 335 819
Payments of income tax	1 183 900
<b>Total 1.3</b>	<b>4 960 652</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>6 187 316</b>
<b><i>INVESTING ACTIVITIES</i></b>	
Receipts (payments) related to capital shares	-
Other cash payments	2 894 700
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>- 2 894 700</b>
<b><i>FINANCING ACTIVITIES</i></b>	
Deposit receipts of shares, issued shares	-
Other proceeds from financing activities	-
Payments for repurchase of quotas and shares	1 002 515
Dividends paid	-
Other cash payments	-
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-1 002 515</b>
<b>TOTAL NET CASH FLOW</b>	<b>2 290 101</b>
Effects of exchange rate changes	- 821 538
Cash and cash equivalents at the beginning of year	13 091 705
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>14 560 268</b>

These financial statements were authorized to be issued on 28 February 2024 by Organization's directors represented by:

**Mrs. Secieru Natalia, Executive director** \_\_\_\_\_

**Mrs. Gulica Natalia, Chief-accountant** \_\_\_\_\_

## PRINCIPAL ACCOUNTING POLICIES

### 1 Basis of presentation

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

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

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

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

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

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

#### ***Going concern***

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

#### ***Summary of significant accounting policies***

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

***Foreign currency translation***

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

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

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

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

***Intangible assets***

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

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

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

***Property, plant and equipment***

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

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

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

Intangible assets included the software Smart Credit Management, developed by SC Green Computers LLC (Romania) and maintained by Reality Soft (Romania) for non-banking credit organization and software's license. Intangible assets are stated at historical cost and are amortized using the straight-line method during their useful lives, which do not exceed five years.

### ***Other assets***

#### ***Inventories***

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

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

#### ***Accounts receivable***

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

#### ***Other current assets***

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

### ***Impairment losses on loans***

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

### ***Provisions***

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

Provisions are recognized according to Internal regulation approved by the board of the company according to the minute's nr. 6 from 27.11.2023, and which are in correlation to recommendations of the National Commission for Financial Markets, "Regulation of classification of issued loan and related interests calculated by microfinance companies", established by decision no.60/4/2019 from 16.12.2019. During 2023 year, the organization portfolio was tested to provision monthly, and created/posted to provision. The created provisions are included in the loss account.

### ***Financial liabilities***

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

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

### ***Borrowings***

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

### ***Dividends***

Dividends are not accounted for until they have been approved at the annual general meeting of the organization's shareholders. For 2023 year no dividends were approved and paid.

### ***Other liabilities***

#### ***Pension costs and employee's benefits***

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

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

#### ***Income Tax***

For 2023 year, according to the Income Tax Code the annual profits earned by moldovan companies are taxed in Moldova at the rate 12%. Also the distribution of retained earnings is subject to the taxation at the rate 6% on the amount paid out as dividends. During 2023, according to the Tax Code, Prima Finantare LLC paid income tax, the amount was calculated based on taxable income of 2023 year.

Income tax payable on profits, based on the applicable moldovan tax law, is recognized as an expense in the period in which profits arise.

### ***Income Recognition***

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

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

### ***Liquidity risk***

Liquidity risk is managed by each Organization. Organization's loan products are secured by guarantor up to 1mln MDL, starting from 18.05.2023 maximum amount 500.000,00 MDL for business and consumer loans with maturity of at least 12 months and not more than 72 months, depending on the loan amount, maturity and type of customer. Real estate loans maximum amount 800.000 MDL secured by real estate collateral with maturity of at least 12 months and not more than 180 months.

In order to manage our liquidity, the organization can place liquidity in current accounts, term deposits and liquid financial instruments and will constitute and maintain at any date liquid assets a certain percentage of the total borrowings.

### ***Client fraud or incapability***

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

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

Approximately 69% of new loan applications are rejected by Organization. Client incapability or nonperformance risk is mitigated by regulating loan product parameters (maximum loan amount, maximum loan duration, maximum monthly repayment in relation to the client's salary, and commission fee) that particular client qualifies for. Majority of new clients can get loans for up to a year, with a higher APR (annualized percentage rate) to cover the increased risk of loss. Returning clients' choice or products increases, depending on their individual performance. The APR is reduced and the maturity can also be lengthened for up to 180 months for real estate products and up to 60 months for other loan products.

### ***General risk management policies***

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

- CPI - customer performance index – is the ratio of actually duly repaid loan installments against expected (contractually required) repayments within a tolerance period for repayment delays, which is normally 30 days; CPI is measured by whole portfolio, by different loan products, by customer Company's and by periods. CPI 100 means that all repayments are duly made, as expected according to the contracts. The Organization's target is CPI above 98 but it actually varies by loan product, customer Organization and even issuing offices (Moldovan regions).
- Organization's liabilities versus loan portfolio, where the target is to have loans portfolio increase faster than the Organization's liabilities;
- Debt collection rates;
- Number of operations performed by each employee, and time spent on various operations – to increase work efficiency;
- Organization's actual performance versus the budgeted performance.



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

### ***Loan Risk management***

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

### ***Interest calculation***

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

- Interest costs on funding
- Risk costs (2%),
- Eventual hedging costs,
- Administration expenses (9-16 %),
- and a ROE of at least 10 % to have 25 % equity in assets.

Thus, at present the organization's management believes that the 19 – 39 % annual interest rates on loans fulfill this goal.

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

### ***Risk management in corruption***

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

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

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

Cash includes cash in hand, current accounts in banks and other cash equivalents (electronic payments systems) in Moldovan Lei / MDL , EUR and USD.

	<b>2023</b>	<b>2022</b>
	<b>MDL</b>	<b>MDL</b>
Cash in hand	1 641 625	643 460
Current at bank	190 593	890 080
Cash at bank - foreign currency	12 504 958	11 283 662
Other cash	223 092	274 503
<b>TOTAL</b>	<b>14 560 268</b>	<b>13 091 705</b>

### **2.1 Investments in securities and shares**

	<b>2023</b>	<b>2022</b>
	<b>MDL</b>	<b>MDL</b>
Share in the capital of “Smart-Program” Ltd	220 000	220 000
Share in the capital of “Prima Finantare” JSC Romania	8 710 830	-
<b>TOTAL</b>	<b>8 930 830</b>	<b>220 000</b>

## **3 Loans and borrowings to customers, receivables on income accrued**

	<b>Short-term</b>		<b>Long-term</b>		<b>Total</b>	
	<i>secured</i>	<i>Unsecured</i>	<i>secured</i>	<i>unsecured</i>	<i>secured</i>	<i>unsecured</i>
Agriculture/ food industry	2 732 223	220 619	1 613 892	16 581 718	4 346 115	16 802 337
Real estate/ Development	134 726	1 307 881	79 581	59 049 466	214 307	60 357 347
Consumer loans	-	1 000 245	-	18 568 000	-	19 568 245
Industry/ Energy/ Trade	-	1 680 458	-	36 808 177	-	38 488 635
Other purposes	-	25 751	-	559 946	-	585 697
<b>Total loans and borrowings</b>	<b>2 866 949</b>	<b>4 234 954</b>	<b>1 693 473</b>	<b>131 567 307</b>	<b>4 560 422</b>	<b>135 802 261</b>
<b>Receivables on income accrued (interests on loans, commissions, penalties, etc.)</b>						<b>2 626 243</b>

Loans are granted by persons under the loan agreements. The number of loan beneficiaries at 31.12.2023 was 3 169 persons.

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

- a) 1.000.000,00 MDL – secured loans for business destination;
- b) 500.000,00 MDL – unsecured loans for business destination;

Under the terms of maturity, loans and interest at 31.12.2023 are classified as follows:

Maturity	Granted loans		Total granted loans	Interests on loans
	<i>secured</i>	<i>unsecured</i>		
A	1	2	3=1+2	4
Up to 1 month	5 080	5 339 017	5 344 097	1 984 543
From 1 to 3 months	14 766	8 778 242	8 793 008	198 546
From 3 months to 1 year	110 550	38 992 016	39 102 566	142 869
From 1 to 3 years	466 478	62 666 274	63 132 752	-
From 3 to 5 years	725 281	17 963 372	18 688 653	-
More than 5 years	3 238 267	2 063 340	5 301 607	-
<b>Total</b>	<b>4 560 422</b>	<b>135 802 261</b>	<b>140 362 683</b>	<b>2 325 958</b>

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

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

#### 4 Provisions for loans and borrowings impairment and for interests on loans and borrowings

Loans/ interests categories	Value		Quota (%)		Provision	
	Loan	Accrued interest	Loan	Interest	Loan	Interest
A	1	4	5	6	7=1*5	8=4*6
Standard	21 713 130	255 264	2	2	434 263	5 105
Watch	111 283 833	1 768 960	5	5	5 564 192	88 448
Sub-standard	2 834 293	11 050	30	30	850 288	3 315
Doubtful	4 210 423	289 768	60	60	2 526 254	173 861
Loss	321 004	916	100	100	321 004	916
<b>Total</b>	<b>140 362 683</b>	<b>2 325 958</b>	x	x	<b>9 696 004</b>	<b>271 647</b>

The assessment of provisions requires the application of management's judgment and estimates, as to the probability of an outflow of resources, the probability of recovery of resources from corresponding sources including security or collateral or insurance arrangements where appropriate, and the amounts and timings of such outflows and recoveries, if any. This judgment is included into Internal regulations of the Organization approved by Minute nr. 6 from 27.11.2023, and which are in correlation recommendation of the National Commission for Financial Markets, "Regulation of classification of issued loan and related interests calculated by microfinance companies", established by decision no.60/4/2019 from 16.12.2019. During 2023 year, the organization's portfolio was tested to provision monthly, and created/posted to provision. The created provisions are included in the loss account.

## 5 Property, plant, equipment and intangible assets

	Assets at the end of 2022	Additions	Disposals	Assets at the end of 2023	Accum. depreciation 2023	Net book value, at the end of 2023
	MDL	MDL	MDL	MDL	MDL	MDL
<b><i>Property, plant, equipment:</i></b>						
Office building	2 249 424	-	-	2 249 424	416 369	1 833 055
Car and vehicles	1 151 742	1 012 324	-	2 164 066	800 753	1 363 313
Equipment and other fixed assets	1 848 228	204 749	208 058	1 844 919	1 025 147	819 772
<b><i>Intangible assets:</i></b>						
Software's license	64 594	-	-	64 594	32 176	32 418
Computer software	21 045	12 600	-	33 645	11 289	22 356
<b>Total Assets</b>	<b>5 335 033</b>	<b>1 229 673</b>	<b>208 058</b>	<b>6 356 648</b>	<b>2 285 734</b>	<b>4 070 914</b>
<b>Less accumulated depreciation</b>	<b>1 738 349</b>	<b>746 961</b>	<b>199 576</b>	<b>2 285 734</b>	<b>x</b>	<b>x</b>
<b>Net book value</b>	<b>3 596 683</b>	<b>x</b>	<b>x</b>	<b>4 070 914</b>	<b>x</b>	<b>x</b>

## 6 Other assets

	At the end of year 2023	At the end of year 2022
Small value items, net value	325 494	325 494
Payments in advances	54 092	196 722
Settlements with state budget	41 325	157 627
Other current receivables	79 042	-
Prepaid expenses	515 855	368 848
Other current assets	966 174	820 806
<b>Total Other assets</b>	<b>1 981 982</b>	<b>1 869 497</b>

7 Bank credits, loans and borrowings received / Accrued Interest	Ending balance, year 2023	In foreign currency	Ending balance, year 2022	In foreign currency
	MDL	EUR / USD	MDL	EUR / USD
<b>Long-term bank credits, loans and borrowings, including:</b>	<b>48 018 270</b>	N/A	<b>41 304 140</b>	N/A
Credit contracts dated 10.07.2017 and 23.11.2017 BC Moldova Agroindbank SA	26 652 639	N/A	27 855 959	N/A
Credit contracts dated 10.08.2023 BC Moldindconbank SA	9 929 384	N/A	-	N/A
Subordinated loans, individuals	11 436 247	N/A	13 448 180	N/A
<b>Long-term loans from unrelated parties, including:</b>	<b>82 194 959</b>	-	<b>85 564 307</b>	-
Amended and Restated KIVA Contract dated 15-15.10.2015, KIVA Microfond, California Non-Profit Public Benefits Corp.	9 376 466	538 685 USD	10 940 104	571 049 USD
Helenos / COOPEST Netherlandes BV Loan Agreement dated 28.12.2017 / 18.08.2021	9 678 700	500 000 EUR	16 303 360	800 000 EUR
GLS Alternative Investments-Mocrfinanzfonds Contract 201903-120/07.03.2019	4 355 415	225 000 EUR	12 737 000	625 000 EUR
Fondation Grameen Credit Agricole Contract dated 19.01.2021/	34 907 838	1 803 333 EUR	28 802 603	1 413 333 EUR
EMF MicrofinanceFund ,AGmvK' Loan Agreement dated 18.12.2023	15 485 920	800 000 EUR	-	-
EMF MicrofinanceFund ,AGmvK' Loan Agreement dated 02.09.2021	8 390 620	N/A	16 781 240	N/A
<b>Total Long-term Financial liabilities</b>	<b>130 213 229</b>	<b>x</b>	<b>126 868 446</b>	<b>x</b>
<b>Accrued Interest on:</b>				
Credit contracts dated 10.07.2017 and 23.11.2017 BC Moldova Agroindbank SA	178 723	-	99 099	-
Credit contracts dated 10.08.2023 BC Moldindconbank SA	25 232	-	-	-
Subordinated loans, individuals	505 972	-	806 607	-
Amended and Restated KIVA Contract dated 15-15.10.2015, KIVA Microfond, California Non-Profit Public Benefits Corp.	2 277 689	130 855 USD	1 553 187	81 073 USD
Helenos / COOPEST Netherlandes BV Loan Agreement dated 18.08.2021	42 780	2 210 EUR	27 172	1 333 EUR
GLS Alternative Investments-Mocrfinanzfonds Contract 201903-120/07.03.2019	15 273	789 EUR	91 952	4 512 EUR
Fondation Grameen Credit Agricole Contract dated 19.01.2021	107 221	5 539 EUR	80 972	3 973 EUR
EMF MicrofinanceFund ,AGmvK' Loan Agreement dated 02.09.2021	329 072	N/A	654 525	N/A
EMF MicrofinanceFund ,AGmvK' Loan Agreement dated 18.12.2023	53 349	2 756 EUR	-	-
<b>Total Interests on bank credits, loans an borrowings received</b>	<b>3 535 311</b>	<b>x</b>	<b>3 313 514</b>	<b>x</b>

Current and long-term liabilities are recorded at the amount of proceeds expected to be paid to satisfy these liabilities in the normal course of activities.  
Long-term loans are stated at cost, interest payable on these is included in the result for the corresponding period.

**8 Other liabilities**

	Ending balance, year 2023	Ending balance, year 2022
	MDL	MDL
Payables to employees	-	248 430
Interests on loans and commissions paid in advance	475 060	-
Debt Insurance	963	7 219
Other payables	5 476	19 587
Payables to state budget	47 053	16 079
<b>Total Other liabilities</b>	<b>528 552</b>	<b>291 315</b>

**9 Interest income on granted loans and borrowings**

	2023	2022
	MDL	MDL
<b>Interest income on:</b>		
Granted loans and borrowings	39 095 641	36 877 531
<b>Total Interest income on granted loans and borrowings</b>	<b>39 095 641</b>	<b>36 877 531</b>

**10 Other interest expenses**

	2023	2022
	MDL	MDL
Interest expenses on granted credits, loans and borrowings	12 329 451	12 416 519
<b>Total Other interest expenses</b>	<b>12 329 451</b>	<b>12 416 519</b>

**11 Net profit/ (loss) on provisions recognition/derecognizing**

	2023	2022
	MDL	MDL
Provisions derecognizing income	6 489 809	6 096 424
Provisions recognition expenses	10 271 228	9 185 273
<b>Total Net profit/ (loss)</b>	<b>-3 781 419</b>	<b>-3 088 849</b>

**12 Other operating income**

	2023	2022
	MDL	MDL
Commissions	5 178 694	4 503 511
Penalties, fines	2 139 123	1 700 592
Other income	1 396 769	896 446
<b>Total Other operating income</b>	<b>8 714 586</b>	<b>7 100 549</b>

**13 General and administrative expenses**

	<b>2023</b>	<b>2022</b>
	<b>MDL</b>	<b>MDL</b>
Administrative staff and management costs	13 170 888	11 211 583
Depreciation of intangible and fixed assets	816 713	757 357
Travel	-	-
Other general and administrative expenses	9 478 150	7 135 996
<b>Total General and administrative expenses</b>	<b>23 465 751</b>	<b>19 104 936</b>

**14 Other operating expenses**

	<b>2023</b>	<b>2022</b>
	<b>MDL</b>	<b>MDL</b>
Fines and penalties	-	-
Other expenses	270 689	130 980
<b>Total Other operating expenses</b>	<b>270 689</b>	<b>130 980</b>

**15 Financial profit/ (loss) - Net**

	<b>2023</b>	<b>2022</b>
	<b>MDL</b>	<b>MDL</b>
<b>INCOME</b>		
Foreign exchange gain	12 788 843	13 918 092
Other		
<b>LOSS</b>		
Foreign exchange loss	11 170 317	14 850 387
<b>NET FINANCIAL PROFIT / (LOSS)</b>	<b>1 618 526</b>	<b>-932 295</b>

**16 Income tax expenses**

	<b>2023</b>	<b>2022</b>
	<b>MDL</b>	<b>MDL</b>
Current income tax expenses	1 289 236	1 073 733
<b>INCOME TAX EXPENSES</b>	<b>1 289 236</b>	<b>1 073 733</b>

Signed by Organization's management:

**Mrs. Secrieru Natalia, Executive director** \_\_\_\_\_

**Mrs. Gulica Natalia, Chief-accountant** \_\_\_\_\_