TIGO FINANCE DOOEL Skopje

Financial Statements
Year Ended December 31, 2018 and
Independent Auditor’s Report

Translation of the Financial Statements Issued in the Macedonian language

CONTENTS

INDEPENDENT AUDITOR'S REPORT

TO THE OWNER AND MANAGEMENT OF TIGO FINANCE DOOEL Skopje

We have audited the accompanying financial statements (page 3 to 29) of TIGO FINANCE DOOEL Skopje (hereinafter: the "Company"), which comprise the statement of financial position as of December 31, 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2018, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations prevailing in the Republic of North Macedonia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Law on Auditing and the applicable auditing standards in the Republic of North Macedonia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of TIGO FINANCE DOOEL Skopje as at December 31, 2018, and its financial performance and its cash flows for the year ended December 31, 2018, in accordance with the accounting regulations prevailing in the Republic of North Macedonia.

Emphases of Matter

As disclosed in Note 2.4 to the Company financial statements, the Company's financial statements have been prepared assuming that the Company will continue as a going concern. The Company incurred net loss of Denar 50.874 thousand for the year ended December 31, 2018, while as of that date the Company's assets have been lower than its liabilities by Denar 44.851 thousand and accumulated loss amounted to Denar 57.148 thousand. Additionally, for the year ended December 31, 2018, the Company realized negative cash flows from operating activities in the amount of Denar 170,053 thousand. On the other hand, during 2019 the Company has opened three new branch offices and the loan portfolio was continuously increasing, as well as the last results for the past months in 2019 show profits from operations. Additionally, the paid-in capital was increased doubly in 2019 as compared with December 31, 2018. Also, the sole owner has committed to provide a continuous financial support to the Company for a period of 12 months from the date of this Report.

Our opinion is not modified with respect to the abovementioned matter.

(Continued)

INDEPENDENT AUDITOR'S REPORT

TO THE OWNER AND MANAGEMENT OF TIGO FINANCE DOOEL Skopje (Continued)

Report on Other Legal and Regulatory Requirements

Management is responsible for the preparation of the Company's annual report (Appendix 1 to the financial statements) and the Company's annual account (Appendix 2 to the financial statements) in accordance with the Company Law, which were adopted and approved by the management of the Company and submitted to the Central Register of the Republic of North Macedonia. Our responsibility is to express an opinion on the consistency of the annual report with the annual account and the financial statements of the Company. We have performed our audit procedures in accordance with the Audit Law of the Republic of North Macedonia and International Standard on Auditing 720 – The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements as applicable in the Republic of North Macedonia. In our opinion, the historical financial information disclosed in the annual report is consistent with the annual account and the accompanying audited financial statements of the Company for the year ended December 31, 2018.

Other Matters

The Company's financial statements for the year ended December 31, 2017 were audited by another auditor, whose report dated May 29, 2018 expressed an unqualified opinion.

Deloitte DOO

Lidija Nanus
Certified Auditor
Director

Aleksandar Arizanov
Certified Auditor

Skopje
May 31, 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In thousands of Denars)

	Note	**Year ended December 31, 2018**	**Period from September 11, 2017 to December 31, 2017** *(Audited by another auditor)*
Interest income		2.197	1
Interest expense		(8.881)	(101)
Net interest expense	5	(6.684)	(100)
Fee and commission income	6	49.347	13
Other operating income	7	109	11
Impairment losses on loans to customers	8	(26.268)	-
Amortization and depreciation	12	(3.296)	(131)
Personnel cost	9	(18.920)	(2.626)
Other operating expenses	10	(45.162)	(3.477)
Loss before income tax		(50.874)	(6.310)
Income tax	11	-	-
Loss for the period		(50.874)	(6.310)
Other comprehensive income		-	-
Total comprehensive loss for the year / period		(50.874)	(6.310)

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

These financial statements were approved by the management of the Company on March 11, 2019.

Approved by,

Filip Dimitrovski
General Manager

Prepared by,

Saska Boskovska-Bogdanovska
Certified accountant

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
(In thousands of Denars)

	Note	December 31, 2018	December 31, 2017 *(Audited by another auditor)*
ASSETS			
Non-current assets			
Intangible assets	12	9.033	2.230
Equipment	12	7.841	1.797
		16.874	4.027
Current assets			
Cash and cash equivalents	13	14.275	2.182
Loans to customers	14	126.994	1.516
Other current assets	15	6.940	1.144
		148.209	4.842
TOTAL ASSETS		165.083	8.869
LIABILITIES			
Non-current liabilities			
Long-term borrowings	16	123.420	7.071
		123.420	7.071
Current liabilities			
Short-term borrowings	17	75.006	64
Trade payables	18	3.370	862
Other current liabilities	19	8.138	1.034
		86.514	1.960
Total liabilities		209.934	9.031
EQUITY			
Paid-in capital	20	12.297	6.148
Accumulated losses		(57.148)	(6.310)
		(44.851)	(162)
TOTAL EQUITY AND LIABILITIES		165.083	8.869

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

These financial statements were approved by the management of the Company on March 11, 2019.

Approved by,	Prepared by,
Filip Dimitrovski	Saska Boskovska - Bogdanovska
General Manager	Certified accountant

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(In thousands of Denars)

	Note	Paid-in capital	Accumulated Losses	Total Equity
Balance as of September 11, 2017 *(Audited by another auditor)*	20	-	-	-
Loss for the period from September 11, 2017 to December, 31 2017		-	(6.310)	(6,310)
Other comprehensive income		-	-	-
Total comprehensive loss		-	(6.310)	(6.310)
Paid-in capital		6.148	-	6.148
Balance as of December 31, 2017 *(Audited by another auditor)*	20	6.148	(6.310)	(162)
Other reconciliation	12	-	36	36
Balance as of January 1, 2018		6.148	(6,274)	(126)
Loss for the year		-	(50.874)	(50.874)
Other comprehensive income		-	-	-
Total comprehensive loss		-	(50.874)	(50.874)
Paid in capital		6.149	-	6.149
Balance as of December 31, 2018	20	12.297	(57.148)	(44.851)

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

These financial statements were approved by the management of the Company on March 11, 2019.

Approved by,

Filip Dimitrovski
General Manager

Prepared by,

Saska Boskovska-Bogdanovska
Certified accountant

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In thousands of Denars)

	Note	Year ended December 31, 2018	Period from September 11, 2017 to December 31, 2017 *(Audited by another auditor)*
Cash flows from operating activities			
Loss before tax		(50.874)	(6.310)
Adjustments for:			
Losses from impairment of loans		26.268	-
Depreciation and amortization		3.296	131
Interest expense		8.881	101
Interest income		(2.197)	(1)
Other adjustments – accumulated loss		36	-
Increase of loan receivables and other current assets		(157.720)	(1.811)
Increase of trade payables and other liabilities		7.989	1.831
		(5.732)	(37)
Net cash flows used in operating activities		(170.053)	(6.096)
Cash flows from invsting activities		-	
Purchase of equipment and intangible asset		(15.295)	(5.005)
Net cash flows used in investing activities		(15.295)	(5.005)
Cash flows from financing activities			
Infolows from borrowings received		191.292	7.135
Increase of paid-in capital		6.149	6.148
Net cash flows from financing activities		197.441	13.283
Increase in cash and cash equivalents during the period		12.093	2.182
Cash and cash equivalents at the beginning of the period	13	2.182	-
Cash and cash equivalents at the end of the period	13	14.275	2.182

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

These financial statements were approved by the management of the Company on March 11, 2019.

Approved by,

Filip Dimitrovski
General Manager

Prepared by,

Saska Boskovska-Bogdanovska
Certified accountant

1. GENERAL INFORMATION

TIGO FINANCE DOOEL Skopje ("the Company") is a limited liability company, registered on September 11, 2017 in the Central Register of Republic of North Macedonia under registration number 7229712. The seat and the management address is Skopje, Bul. Jane Sandanski No. 109A/floor 3, Aerodrom, Skopje, North Macedonia.

The Company is start-up company which is licensed as a financial company by the Ministry of Finance of the Republic of North Macedonia on 25 August 2017 with license number 13-6093/4 under Article 13 of the Law on Financial Companies.

The Company's main activity is other loan mediation, with focus on consumer loans lending.

The Company's sole owner is private individual from Riga, Latvia.

As of December 31, 2018 the Company has 55 employees (2017: 12 employees).

2. BASIS FOR PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Preparation and Presentation of Financial Statements

Pursuant to the provisions of the Company Law (Official Gazette of the Republic of North Macedonia no. 28/04, 84/05, 71/06, 25/07, 87/08, 17/09, 23/09, 42/10, 48/10, 8/11, 21/11, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30/16, 61/16, 64/18 and 120/18) legal entities in North Macedonia are required to maintain their books of account and to prepare their financial statements in conformity with the International Financial Reporting Standards officially adopted in the Republic of North Macedonia and published in the Official Gazette of the Republic of North Macedonia.

A newly-issued Rulebook for chart of accounts (Official Gazette of the Republic of North Macedonia no. 159/09, 164/10 and 107/11) was adopted as of December 29, 2009. It contains: the International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") and related interpretations issued by the Standing Interpretation Committee ("SIC") and the International Financial Reporting Interpretations Committee ("IFRIC") determined and issued by the International Accounting Standards Board ("IASB") as of January 1, 2009. This Rulebook has been effective as from January 1, 2010.

However, until the preparation date of the accompanying financial statements, not all amendments to IAS/IFRS and IFRIC in effect for annual periods beginning on or after January 1, 2009 had been translated. In addition, the accompanying financial statements are presented in the format prescribed under the "Guidelines on the Prescribed Form and Content of the Annual Financial Statements" (Official Gazette of the Republic of North Macedonia no. 60/14). Such statements represent the complete set of financial statements as defined under the law, which differ from those defined under the provisions of IAS 1, "Presentation of Financial Statements," and differ in some respects, from the presentation of certain amounts as required under the aforementioned standard. Standards and interpretations in issue but not yet officially translated and adopted and standards and interpretations in issue but not yet in effect are disclosed in Notes 2.2 and 2.3.

In accordance with the afore described, and given the potentially material effects which the departures of accounting regulations of the Republic of North Macedonia from IAS and IFRS may have on the fairness presentations made in the financial statements, the accompanying financial statements cannot be treated as a set of financial statements prepared in accordance with IAS and IFRS.

The financial statements were prepared at historical cost principle, unless otherwise stipulated in the accounting policies presented hereunder. In the preparation of the accompanying financial statements, the Company adhered to the accounting policies described in Note 3.

All amounts in the Company's financial statements are stated in thousands of Macedonian Denars (MKD). The Denar is the official reporting currency in the Republic of North Macedonia.

2.2 Standards and Interpretations Issued, but not yet Translated and Adopted in the Republic of North Macedonia

As of the financial statements issuance date, the following standards, amendments were issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee but were not officially adopted and translated in the Republic of North Macedonia.

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Amendments improving fair value and liquidity risk disclosures (revised in March 2009, effective for annual periods beginning on or after January 1, 2009;
- Amendments to IFRS 1 "First-Time Adoption of IFRS" – Additional Exemptions for First-Time Adopters. The amendments relate to assets in oil and gas industry and determining whether an arrangement contains a lease (revised in July 2009, effective for annual periods beginning on or after January 1, 2010);

2. BASIS FOR PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Standards and Interpretations Issued, but not yet Translated and Adopted in the Republic of North Macedonia (Continued)

- Amendments to various standards and interpretations resulting from the Annual Quality Improvement Project of IFRS published on April 16, 2009 (IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 39, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (amendments are to be applied for annual periods beginning on or after 1 January 2010, while the amendment to IFRIC is to become effective as of July 1, 2009);
- Amendments to IAS 38 “Intangible Assets” (effective for annual periods beginning on or after July 1, 2009);
- Amendments to IFRS 2 “Share-Based Payment”: Amendments resulting from the Annual Quality Improvement Project of IFRS (revised in April 2009, effective for annual periods beginning on or after July 1, 2009) and amendments relating to group cash-settled share-based payment transactions (revised in June 2009, effective for annual periods beginning on or after January 1, 2010);
- Amendments IFRIC 9 “Reassessment of Embedded Derivatives” effective for annual periods beginning on or after July 1, 2009 and IAS 39 “Financial Instruments: Recognition and Measurement” – Embedded Derivatives (effective for annual periods beginning on or after June 30, 2009);
- IFRIC 18 “Transfers of Assets from Customers” (effective for annual periods beginning on or after July 1, 2009);
- “Conceptual Framework for Financial Reporting 2010” being an amendments to “Framework for the Preparation and Presentation of Financial Statements” (effective for transfer of assets from customers received on or after September 2010);
- „Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after July 1, 2010);
- Amendments to IAS 24 “Related Party Disclosures” – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after January 1, 2011);
- Amendments to IAS 32 “Financial Instruments: Presentation” – Accounting for Rights Issues (effective for annual periods beginning on or after February 1, 2010);
- Amendments to various standards and interpretations “Improvements to IFRSs (2010)” resulting from the Annual quality improvement project of IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after January 1, 2011);
- Amendments to IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction” – Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after January 1, 2011);
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (effective for annual periods beginning on or after July 1, 2010);
- Amendments to IFRS 1 “First-Time Adoption of IFRS” – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1, 2011);
- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Transfers of Financial Assets (effective for annual periods beginning on or after January 1, 2011);
- Amendments to IAS 12 “Income Taxes” – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2012);
- IFRS 10 “Consolidated Financial Statements” (effective for annual periods beginning on or after January 1, 2013);
- IFRS 11 “Joint Arrangements” (effective for annual periods beginning on or after January 1, 2013);
- IFRS 12 “Disclosures of Involvement with Other Entities” (effective for annual periods beginning on or after January 1, 2013);
- IFRS 13 “Fair Value Measurement” (effective for annual periods beginning on or after January 1, 2013);
- IAS 27 (revised in 2011) “Separate Financial Statements” (effective for annual periods beginning on or after January 1, 2013);

2. BASIS FOR PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Standards and Interpretations Issued, but not yet Translated and Adopted in the Republic of North Macedonia (Continued)

- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 1 “First-time Adoption of IFRS” – Government Loans (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosures of Involvement with Other Entities: Transition Guidance” (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 1 “Presentation of Financial Statements” – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1, 2012);
- Amendments to IAS 19 “Employee Benefits” – Improvements to the Accounting for Post-Employment Benefits (effective for annual periods beginning on or after January 1, 2013);
- Amendments to various standards “Improvements to IFRSs (cycle 2009-2011)” resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after January 1, 2013);
- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 “Separate Financial Statements” – Investment Entities (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 32 “Financial instruments: Presentation” - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014);
- IFRIC 21 “Levies” (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014);
- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014);
- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014);
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016);

2. BASIS FOR PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Standards and Interpretations Issued, but not yet Translated and Adopted in the Republic of North Macedonia (Continued)

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortization (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016);
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 7 "Statement of Cash Flows" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IAS 12 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealized Losses (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IFRS 12 due to "Improvements to IFRSs (cycle 2014-2016)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017);
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018);
- IFRS 15 "Revenue from Contracts with Customers" and further amendments (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 4 "Insurance Contracts" - Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time);
- Amendments to IAS 40 "Investment Property" - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014-2016)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018);
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018);

2.3 New Standards and amendments to existing standards in issue not yet adopted

At the date of authorisation of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019);
- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021);
- Amendments to IFRS 3 "Business Combinations" – definition of Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).
- Amendments to IFRS 9 "Financial Instruments" - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded)

2. BASIS FOR PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 New Standards and amendments to existing standards in issue not yet adopted (Continued)

- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” Definition of Material (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IAS 19 “Employees Benefits” – Plan Amendment, Curtailments or Settlement (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);
- Amendments to various standards due to “Improvements to IFRSs (cycle 2015-2017)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019);
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020);
- IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019).

2.4 Management Plans and Significant Estimates

The accompanying financial statements as of December 31, 2018 are prepared on the going concern basis assuming that the Company will continue its operations in the foreseeable future. The Company incurred net loss of Denar 50.874 thousand for the year ended December 31, 2018, while as of that date the Company’s current assets have been lower than its current liabilities by Denar 61.695 thousand and the accumulated losses amounted to Denar 57.148 thousand. Additionally, for the year ended December 31, 2018, the Company realized negative cash flows from operating activities in the amount of Denar 170.053 thousand.

The Company was established on September 11, 2017. Throughout 2018, the Company invested heavily in setting up and developing its business operations in the country and it is still in a process of investments. By the end of the year 2018, the Company accomplished significant increase in lending, resulting in total gross loans to customers of Denar 153,262 thousand as of December 31, 2018 (2017: Denar 1.516 thousand). According to management plans, the Company will continue to make an increase of its lending capacities. During 2019, the Company has opened 3 new branch offices. The number of branch offices by the end of 2018 was 11. As a result, Company’s loan portfolio is continuously increasing and the last results for the past months in 2019 show profits from operations. The management plans to continue this trend by opening of other new branch offices in every city in the country that has more than 10,000 residents and by promoting services through extensive media campaigns. The management estimates that the current losses from the year ended 2018 will be compensated by future income and expects that all key financial indicators will be much favourable for the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Comparative Information

The Company presents comparative information in its financial statements for one prior reporting period.

When reported items and transactions need to be reclassified and present as a separate component of the financial statements, in order to give truer and fairer view, comparative information for prior year is reclassified to achieve comparativeness to the current reporting period. When the accounting policy is changed, an error from prior period is corrected or the presentation of financial information is changed the adjustment is recognized retrospectively and the Company presents additionally a statement of financial position as of the beginning of the comparative period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Reporting Currency

Macedonian Denar is the Company's functional and presentation currency of the financial statements.

Upon initial recognition, foreign currency transactions are reported in the functional currency, applying the exchange rate as of the date of the transaction. Cash and cash equivalents, loans and receivables, investments in securities, loans and other payables as monetary reporting items, denominated in foreign currency, are reported in the functional currency at the exchange rate, daily published by the National Bank of the Republic of North Macedonia.

As of December 31, 2018, all monetary reporting items, denominated in foreign currency are measured at the National Bank of the Republic of North Macedonia closing exchange rate. The foreign exchange rates with biggest significance for Company's activity as of December 31, 2018 are:

Foreign currency	December 31, 2018	December 31, 2017
1 EUR	MKD 61.4950	MKD 61.4907

Non-monetary reporting items in the statement of financial position initially denominated in foreign currency are reported in the functional currency at the historical exchange rate as of the date of the transaction and are not subsequently measured at closing exchange rate.

Foreign exchange gains and losses, related to the settlement of foreign currency transactions or accounting of foreign currency transactions initially recognized at different exchange rates are reported in the statement of comprehensive income as "Other operating income", when they arise.

3.3 Interest Income and Expense

Interest income and expenses are recognized in the statement of comprehensive income in accordance with the accrual principle based on the effective interest rate method. Interest income and expenses include amortization of discount and premiums, as well as of other differences between the initial carrying amount and the amount on maturity of the financial assets and liabilities, estimated on effective interest rate basis.

The effective interest rate method is a method of determining the amortized cost of a financial instrument and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the interest that exactly discounts the estimated future cash proceeds or payments (including all fees and other allowances and discounts received) through the expected life of the financial instrument.

At determining the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and commissions, paid to or received from the contractual parties, as well as the transaction costs, however, it does not include costs the customer is directly responsible for, e.g. taxes, notary fees, insurance instalments, registration fees, etc.

Once a loan has been impaired, interest income is recognized using the effective interest rate at loan granting. Interest income and expense related to financial instruments are stated in "Interest income" and "Interest expense" in the statement of comprehensive income.

3.4 Fees and Commissions Income and Expense

Income and expenses on fees and commissions from financial services are recognized in the statement of comprehensive income when the relevant service is provided.

Fees and commissions are recognized on accrual basis when the service is provided/received, except for fees that are directly related to the granting/receiving of loans (together with the relevant direct costs) and are recognized (amortized) over the respective loan term in the statement of comprehensive income as a component of the effective interest – see note 3.3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Employee Benefits

The Company, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax that are calculated on the basis of gross salaries and wages according to the local legislation. The Company makes these contributions to the Government's health and retirement funds, at the statutory rates in force during the year, based on gross salary payments. The cost of these payments is charged to the statement of comprehensive income in the same period as the related salary cost.

The Company pays benefits upon retirement in an amount equal to two average monthly salaries earned in the Republic of North Macedonia. The management believes that the present value of the future obligations to employees, with respect to retirement benefits, is not materially significant and hence, it has not recognized a provision for the aforementioned payments.

3.6 Income Tax

Current Income Taxes

Income tax payable is calculated and paid pursuant to the provisions of Income Tax Law. The payment of monthly income tax liability is made in advance as determined by the tax authorities. The final income tax for 2018 is calculated at rate of 10% based on the profit as determined from the statement of comprehensive income, adjusted for certain not tax deductible expenses in accordance with local regulations.

Deferred Income Tax

Deferred income taxes are provided using the statement of financial position liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. The currently enacted tax rates at the statement of financial position date are used to determine the deferred income tax. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences and the tax effects of income tax losses are carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the tax loss carry forwards may be utilized. There were no taxable or deductible temporary differences and consequently no deferred taxes have been recognized in these financial statements.

3.7 Financial Assets

The Company classifies its financial assets in the category loans and receivables. Upon initial recognition in the statement of financial position, the Company's management determines the designation and classification of each financial asset.

Generally, the Company recognizes its financial assets in the statement of financial position on the trade date - the date on which it commits (undertakes an ultimate engagement) to purchase the respective financial assets. All financial assets are initially measured at their fair value plus the directly attributable transaction costs.

Financial assets are derecognized from the statement of financial position of the Company when the rights to receive cash (cash flows) from these assets expired or transferred, and the Company has transferred substantially all risks and rewards of ownership of the asset to another person.

If the Company retains substantially all risks and rewards associated with the ownership of a particular transferred financial asset, it continues to recognize the asset on its statement of financial position, but also recognizes a secured liability (loan) in respect of the consideration received.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or identifiable payments that are not quoted on an active market. This group of financial assets includes cash at current accounts in banks, receivables on bank deposits, loans granted and advances to customers, and other receivables.

Receivable from a customer arises and is recognized in the statement of financial position upon payment of the loan amount to the customer and/or the execution of certain procedures, including the presentation and verification of the documents required. The Company grants consumer loans to physical persons with good credit history. Loans and receivables are subsequently recognized at amortized cost by applying the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial Assets (Continued)

Loans and Receivables (Continued)

Wherever possible, the Company measures the fair value of an instrument using an active market quoted prices for such instrument. The market is considered to be active if quoted prices are readily and regularly available and represent actually and regularly execution of direct market transactions. If there is no active market for a financial instrument, the Company measures the fair value using other valuation techniques.

Valuation techniques include the use of recent arm's length transactions between knowledgeable, willing parties (if any), reference to the current fair value of other essentially similar instruments, discounted cash flows methods and analyses and option pricing models. The valuation approach is, as follows: (a) to use maximum objective market data and rely as little as possible on specific to the Company estimates and effects; (b) to incorporate all factors that market participants would consider in price settings, and (c) measurement compatibility with the generally accepted methodologies and practices with regard to the financial instruments pricing methods.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions with the same instrument (i.e. with no modification or re-grouping) or based on other valuation techniques, which variables include only publicly available data. When transaction price provides the best evidence of the fair value at initial recognition, the financial instrument is initially measured at that transaction price and any difference between that price and the value initially obtained from a valuation model is subsequently recognized through current profit or loss for the year, depending on the consolidated transaction facts and circumstances, but not later than the time when the valuation is fully supported by observable market data or the transaction is completed.

Fair value reflects the credit risk of the instrument by adjustments to assess the credit risk of the Company.

Impairment of Financial Assets

At the end of each reporting period, the Company's management assesses whether there is objective evidence if a financial asset or group of financial assets are impaired. A financial asset or a group of financial assets are considered impaired and as such incur losses, when an objective evidence for their deterioration exists, as a result of one or more events, occurred after the initial recognition of the asset and that the event effects the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Company's statistical information and historical experience of the trends in the behavior of the various types of loan products and portfolios by years and credit history of the various types of customers are considered in the analysis of impairment indicators.

Accumulated impairment is presented as deducted from the carrying amount of the respective financial asset.

Indicators used by the Company to identify whether objective evidences for impairment losses exist, are as follows:

- breaches in contractual principal and interest payments;
- cash flow difficulties experienced by the debtor, breaches of key covenants and ratios (indicators), underlying in the loan agreement;
- deterioration of the debtor's financial, market and competitive position (particularly, the type to which belongs);
- deterioration of conditions and quality of collaterals,
- launch of liquidation and/or insolvency procedures,
- death and similar.

Impairment of loan receivables is recognized in the statement of financial position when clear and objective evidences exist, that the Company will be unable to collect the amounts due by the borrowers (debtors) in accordance with the initially agreed terms.

Loans within groups of similar characteristics and indicators are collectively evaluated for impairment losses on portfolio basis. A loan is classified in the respective risk group and is evaluated according to the above criteria, the main criteria is length of the delay of contractual principal and/or interest payments. The Company also reported the analysis of debtor's financial position deterioration and the sources for settlement of its obligations.

The impairment loss amount of loans is calculated as the difference between the carrying amount and the recoverable value at the end of the reporting period. The recoverable value represents the present value of the expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the agreed effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial Assets (Continued)

Impairment of Financial Assets (Continued)

Estimates of impairment amounts are made by the Company and are based on internally developed principles, rules and techniques, in accordance with the requirements of IAS 39 Financial Instruments: Recognition and Measurement.

Company's policy is to perform monthly review and analysis of impaired loans and receivables and of those for which indications for impairment exist. Each subsequent change in the manner and terms of loan payments results in a change in the impairment allowance and any differences are recognized as increase or decrease in "Impairment loss and uncollectability" in the statement of comprehensive income. Adjustments of impairment and uncollectability are reduced only when a tendency to improve quality of the relevant loan or receivable (or group of loans or receivables) exist, and there is sufficient probability to collect promptly the principal and interest, in accordance with the initial loan agreement terms. Where impairment losses subsequent reverses or decreases due to events that occurred thereof, they are recognized as reversal (decrease) in impairment loss and uncollectability in the statement of comprehensive income and in the impairment adjustment, respectively.

When a loan is uncollectible, it is written off against the accumulated impairment allowances on the adjustment account. Such loans are written off only when all necessary legal procedures have been performed and impairment loss has been definitively estimated.

3.8 Financial Liabilities and Equity Instruments

The Company classifies its liabilities, debt and equity instruments as financial liabilities or as equity depending on the nature and contractual terms of the instrument. The Company determines the classification of its financial liabilities when they arise. All financial liabilities of the Company are classified as "Other current liabilities" and are carried at amortized cost.

Financial liabilities include liabilities on loans received by limited number of natural or judicial persons, bank loan received and other payables. They are initially recognized at fair value in the statement of financial position, net of direct transaction costs, and subsequently - at amortized cost using the effective interest rate method.

Interest expense on financial liabilities is recognized on an accrual basis in the statement of comprehensive income.

Financial liabilities are derecognized when the obligation is settled, cancelled or the other party loses its exercise right.

3.9 Transactions with Peer-to-Peer Platforms

The Company, as a loan originator, has signed cooperation agreement with operator of a peer-to-peer (P2P) investment internet-based platform (Mintos Marketplace AS, hereinafter "Mintos"). Cooperation agreement and the related assignment agreements are in force until parties agree to terminate. Purpose of the cooperation agreement for the Company is to attract funding through the P2P platform.

P2P platform makes possible for individual and corporate investors to obtain rights a fully proportionate interest cash flows and the principal cash flows from debt instruments (loans and advances to customers) issued by the Company in exchange for an upfront payment. These rights are established through assignment agreements between investors and Mintos, who is acting as an agent on behalf of the Company.

The Company retains the legal title to its debt instruments (including payment collection) but transfers a part of equitable title and interest to investors through Mintos.

Mintos Receivables and Payables

Mintos is acting as an agent in transferring cash flows between the Company and investors. Receivable for attracted funding from investors through P2P platform corresponds to the due payments from Mintos.

Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Company (Note 15).

Funding Attracted through Peer-to-Peer Platform

Liabilities arising from assignments are initially recognized at cost, being the fair value of the consideration received from investors net of issue costs associated with the loan.

Liabilities to investors are recognized in statement of financial position caption Funding attracted through peer-to-peer platform (Note 17) and are treated as loans received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Transactions with Peer-to-Peer Platforms (Continued)

After initial recognition, Funding attracted through peer-to-peer platform is subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by considering any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the statement of profit or loss as interest income/ expense when the liabilities are derecognized.

The Company has to repay to the investors the proportionate share of the attracted funding for each debt instrument according to the conditions of the respective individual agreement with Company's client, which can be up to 12 months.

Assignments with Recourse Rights (Buy Back Guarantee)

Assignments with recourse rights provide for direct recourse to the Company, thus do not meet the requirements to be classified as pass-through arrangement in accordance with IAS 39.

Therefore, the Company's respective debt instruments do not qualify to be considered for partial derecognition and interest expense paid to investors is shown in gross amount under Interest and similar expenses (Note 5).

3.10 Operating Lease – Company as Lessee

Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under an operating lease are recognized as expenses on a straight-line basis over the lease term and included in administrative expenses.

3.11 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at current accounts with commercial banks and cash collected by payment institutions - partners of the Company that at the end of the reporting period had not been transferred to Company's account.

Cash and cash equivalents for the purposes of the statement of cash flows comprise cash in hand and cash at bank accounts – on demand and/or with original maturity up to 3 months, not restricted (not blocked).

3.12 Paid-in Capital

The stake in capital represents a Company's stake capital which is not subject of distribution and is presented at nominal value of the paid-in capital.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The presentation of the financial statements requires the Company's management to make best estimates and reasonable assumptions that influence the assets and liabilities amounts, the disclosure of contingent liabilities and receivables as of the date of preparation of the financial statements, as well as the income and expenses arising during the accounting period. These estimations and assumptions are based on information available to us, as of the date of preparation of the financial statements. However, actual results may vary from these estimates.

Basic assumptions relating to the future events and other significant sources of uncertainties in rendering an estimate as of the balance sheet date, which bears the risk that may lead to significant restatement of the net book value of assets and liabilities in the ensuing financial year, were as follows:

Fair Value

In the Republic of North Macedonia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available. As a result, the fair value cannot readily or reliably be determined in the absence of an active market. The Management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may have not been realized, it recognizes a provision. In the opinion of management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The carrying value less impairment provision of short-term trade and other receivables and the carrying value of trade and other payables and short-term borrowings are assumed to approximate their fair values, based on historical data and their relative short maturities. The fair value of other financial assets and liabilities for disclosures purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Company for similar financial instruments.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Useful Life of Assets

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic, industry factors or local market. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions. As an example, if the Company was to shorten the average useful life by 10%, this would result in additional annual depreciation and amortization expense of approximately Denar 329 thousand (2017: Denar 13 thousand).

Impairment of Financial Assets

The impairment for doubtful accounts is based on estimated losses resulting from the inability of the third parties to comply with their contractual obligations. These estimations are based on the ageing of our account receivables balance and our historical write-off experience, customer credit-worthiness and changes in our customer payment terms when evaluating the adequacy of the impairment loss for doubtful accounts. These involve assumptions about future customer behavior and the resulting future cash collections. If the financial condition of our customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far. The management believes that there is no further impairment provision required in excess of the allowance for doubtful debts already recognized in these financial statements.

5. NET INTEREST EXPENSE

	In thousands of Denars	
	Year ended December 31, 2018	Period from September 11, 2017 to December 31, 2017
Interest income		
Loan type – Installment loan (INSTA)	2.197	1
	2.197	1
Interest expense		
Interest on loans received	(8.881)	(101)
	(8.881)	(101)
Net interest expense	(6.684)	(100)

6. FEE AND COMMISSION INCOME

	In thousands of Denars	
	Year ended December 31, 2018	Period from September 11, 2017 to December 31, 2017
Revenues from cash comissions	1.004	-
Revenues from administration fee	8.716	7
Revenues from loan issuance	21.047	6
Revenues from penalty	6.628	-
Revenues from extension fees	11.161	-
Revenues from early repayment	80	-
Revenues from debt collection	597	-
Other revenues	114	-
	49.347	13

7. OTHER OPERATING INCOME

	In thousands of Denars	
	Year ended December 31, 2018	Period from September 11, 2017 to December 31, 2017
Foreign exchange gains	106	11
Other income – salary deduction	3	-
	109	11

8. IMPAIRMENT LOSSES ON LOANS TO CUSTOMERS

	In thousands of Denars	
	Year ended December 31, 2018	Period from September 11, 2017 to December 31, 2017
Additional impairment losses	26.268	-
Release of impairment	-	-
Written-off receivables	-	-
	26.268	-

9. PERSONNEL COST

	In thousands of Denars	
	Year ended December 31, 2018	Period from September 11, 2017 to December 31, 2017
Net salaries	11.896	1.495
Taxes and contributions on salaries	5.819	817
Bonuses	882	240
Other expenses	323	74
	18.920	2.626

10. OTHER OPERATING EXPENSES

	In thousands of Denars	
	Year ended December 31, 2018	Period from September 11, 2017 to December 31, 2017
Marketing services	19.656	347
Data operational expenses	6.963	340
Maintenance services	5.702	263
Other intellectual services	3.485	1.303
Rent	2.608	373
Spent material and energy	2.231	311
Taxes	2.439	264
Bank fees	1.103	34
Representation	351	69
Insurance expenses	46	-
Daily allowances and travel expenses	203	75
Transport services	123	26
Communal services	21	-
Foreign exchange loss	200	48
Other expenses	31	24
	45.162	3.477

11. INCOME TAX

For the year ended December 31, 2018 the income tax is calculated at a rate of 10% to the profit/(loss) determined in the Statement of Comprehensive Income, adjusted for certain items in accordance with the law provisions and the amount of expenses which are not recognized for tax purposes.

The relation between the tax expense and the accounting profit is as follows:

	In thousands of Denars	
	Year ended December 31, 2018	Period from September 11, 2017 to December 31, 2017
Loss before income tax	(50.874)	(6.310)
Expenses which are not recognized for tax purposes	27.207	125
Loss before tax, net of expenses which are not recognized for tax purposes, that can be carried forward in the next three years	(23.667)	(6.185)
Income tax expense	-	-
Effective tax rate	0%	0%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

12. EQUIPMENT AND INTANGIBLE ASSETS

	Furniture and other office equipment	Leasehold improvement	Investments in progress	Total	Software and licenses	Total
Cost						
Balance as of September 11, 2017	-	-	-	-	-	-
Additions	1.131	114	642	1.887	2.271	2.271
Transfer	607	-	(607)	-	-	-
Balance as of December 31, 2017	1.738	114	35	1.887	2.271	2.271
Additions	5.409	2.240	-	7.649	8.458	8.458
Transfer	35	-	(35)	-	-	-
Balance as of December 31, 2018	7.182	2.354	-	9.536	10.729	10.729
Accumulated depreciation/amortization						
Balance as of September 11, 2017	-	-	-	-	-	-
Charge for the year	79	11	-	90	41	41
Balance as of December 31, 2017	79	11	-	90	41	41
Corrections from previous year	-	-	-	-	(36)	(36)
Balance as of January 1, 2018	79	11	-	90	5	5
Charge for the year	1.102	503	-	1.605	1.691	1.691
Balance as of December 31, 2018	1.181	514	-	1.695	1.696	1.696
Carrying amount as of						
- December 31, 2018	6.001	1.840	-	7.841	9.033	9.033
- December 31, 2017	1.659	103	35	1.797	2.230	2.230

13. CASH AND CASH EQUIVALENTS

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Cash in banks:		
- local currency	12.271	1.847
- foreign currencies	-	277
Cash in hand:		
- local currency	2.004	58
	14.275	2.182

14. LOANS TO CUSTOMERS

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Principal – Single payment loans (SPL)	49.979	672
Principal – Installment loans (INSTA)	94.596	833
Receivables from interest	673	1
Receivables from cash comissions	306	-
Receivables from administration fee	2.782	7
Receivables from loan issuance fee	4.926	3
Total loans	153.262	1.516
Allowance for impairment of Type of loan SPL	(7.212)	-
Allowance for impairment of Type of loan INSTA	(19.056)	-
Allowance for impairment of court receivables and writs	-	-
Total impairment	(26.268)	-
Loans to customers, net	126.994	1.516

15. OTHER CURRENT ASSETS

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Advances given	996	1.123
Prepaid expenses	536	21
Receivables from employees	13	-
Receivables for attracted funding through P2P platform (Note 17)	5.395	-
	6.940	1.144

16. LONG-TERM BORROWINGS

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Company 1, 12% p.a., 31.12.2020	27.058	7.071
Company 2, 12% p.a., 31.12.2020	26.996	-
Company 3, 12% p.a., 31.12.2020	69.366	-
	123.420	7.071

17. SHORT-TERM BORROWINGS

	In thousands of Denars December 31, 2018	December 31, 2017
Interest payable	1.148	64
Short-term loan – Management	1.842	-
Short-term liabilities P2P platform Investors (Note 3.9)	72.016	-
	75.006	64

Attracted funding from P2P platform is transferred to Company's bank account once per week. Total receivables for attracted funding not yet received from P2P platform as at statement of financial position dates were:

	In thousands of Denars December 31, 2018	December 31, 2017
Receivables for attracted funding through P2P platform (Note 15)	5.395	-
	5.395	-

18. TRADE PAYABLES

	In thousands of Denars December 31, 2018	December 31, 2017
Domestic trade payables	3.153	849
Foreign trade payables	217	13
Trade payables to related parties	-	-
	3.370	862

19. OTHER CURRENT LIABILITIES

	In thousands of Denars December 31, 2018	December 31, 2017
Payables for taxes	995	229
Liabilities for loan activation	1.253	87
Liabilities to employees	70	12
Accrued expenses	3.977	705
Deferred income	1.843	1
	8.138	1.034

20. EQUITY

As of December 31, 2018 the paid-in and registered capital of the Company amounts to Denar 12.297 thousand. The Company's paid-in capital is 100% owned by private individual from Riga, Latvia.

As of the date of approval of these financial statements, the Company is represented and managed by Mr. Filip Dimitrovski.

	In thousands of Denars December 31, 2018	December 31, 2017
Paid-in capital	12.297	6.148
	12.297	6.148

21. FINANCIAL RISKS

21.1 Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders.

The Company's management reviews the capital structure on an annual basis. As part of this review, the Management considers the cost of capital and the risks associated with each class of capital. The gearing ratio at the year-end was as follows:

	In thousands of Denars	
	December 31, 2018	**December 31, 2017**
Total loans payables	198.426	7.135
Less: Cash and cash equivalents	(14.275)	(2.182)
Net debt	184.151	4.953
Total equity	(44.851)	(126)
Gearing ratio	100%	100%

21.2 Financial Risk Management Objectives

The financial risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The financial risks are monitored on a timely basis and are mitigated primarily through the reduction of the Company's exposure to those risks. The Company does not use any special financial instruments to hedge against these risks since such instruments are not in common use in the Republic of North Macedonia.

21.3 Market Risks

The Company's activities are exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

21.4 Foreign Currency Risk Management

The Company enters into transactions denominated in foreign currencies related to the purchases, receivables and payables and loans and borrowings as well. The Company does not use any special financial instruments to hedge against these risks since such instruments are not in common use in the Republic of North Macedonia. Therefore, the Company is potentially exposed to market risk related to possible foreign currency fluctuations, which is however mitigated to some extent by the set off from credit and debit balances in the same currencies.

The exposure of the Company to foreign currencies is mainly in EUR and therefore, the currency risk of the Company is assessed at minimum.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

			In thousands of Denars	
	ASSETS		**LIABILITIES**	
EUR	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Cash and cash equivalents	-	277	-	-
Receivables from P2P platform Investors	5.395	-	-	-
Receivables for given advances	538	-	- -	-
Short-term borrowings	-	-	75.006	64
Long-term borrowings	-	-	123.420	7.071
Trade payables	-	-	217	13
	5.933	277	198.643	7.148

21. FINANCIAL RISKS (Continued)

21.4 Foreign Currency Risk Management (Continued)

Foreign Currencies Sensitivity Analysis

The following table details the Company's sensitivity to a 10% increase and decrease in Denars against foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit and other equity where Denar weakens 10% against the foreign currency. For a 10% strengthening of Denar against the foreign currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be positive.

	In thousands of Denars	
		December 31,
	2018	2017
Expense	(19.271)	(687)
Profit/(loss)	(19.271)	(687)

21.5 Interest Rate Risk Management

The Company's exposure to market risk for changes in interest rates relates to the Company's short-term and long-term borrowings at variable interest rate. This risk depends on the financial markets and the Company does not have any practical means to mitigate it.

	December 31, 2018	December 31, 2017
Financial assets		
Non-interest bearing		
- Cash and cash equivalents	14.275	2.182
Fixed interest rate		
- Receivables P2P platform Investors	5.395	-
- Short-term loans	117.773	1.516
- Long-term loans	9.221	-
	146.664	3,698
Financial liabilities		
Non-interest bearing		
- Trade payables	3.336	835
Fixed interest rate		
-Long-term borrowings	123.420	7.071
- Short-term borrowings	2.990	64
- Short-term liabilities P2P platform Investors	72.016	-
	201.762	7.970

As of 31 December 2018 and 2017, loans granted by the Company and the received funds for operating are at fixed rates. Therefore, the Management of the company considers the future cash flows risk from changes in interest rates as minimum.

21. FINANCIAL RISKS (Continued)

21.6 Credit Risk

Credit Risk Measurement

Credit risk arises from money and cash, deposits with banks and financial institutions, as well as from credit exposure to corporate and retail clients, including receivables and liabilities. The exposure of the Company to credit risk arises from the inability to collect the placements and receivables in a timely manner. The Company has no significant concentration of credit risk. The Company has policies to ensure that service sales are made to customers with adequate credit history and pre-defined criteria that ensure a regular collection of receivables.

Risk Limitation Controls and Management Policy

The Company applies limits and controls for areas and items where a large concentration of credit risk is identified and in particular to individual customers or group of customers, trade counterparts, industries and regions, which are formed on the basis of the geographical regions in the countries where the company operates.

Maximum Credit Risk Exposure

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Credit risk exposure by items in the statement of financial position:		
Cash and cash equivalents	14.275	2.182
Loans to customers	126.994	1.516
Receivables for attracted funding through P2P platform	5.395	-
	146.664	3.698

Loans to Customers

The above table shows the credit risk exposure of the Company as of December 31, 2018 and as of December 31, 2017. With regard to assets in the statement of financial position, the credit risk exposure set out above is based on net carrying amounts as recognized in the statement of financial position of the Company as of the respective period. As of December 31, 2018, 87% (December 31, 2017: 41%) of the maximum exposure to credit risk is related to the loan portfolio. The Company's cash and cash equivalents and settlement operations are concentrated in different first-class banks. Upon distribution of cash flows among them, the Company's management takes into account number of factors, such as the amount of equity, reliability, liquidity, credit potential of the bank, etc.

The distribution of the loans granted to customers is as follows:

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Not past due principal	115.053	1.505
Past due and impaired principal	29.522	-
Gross amount of loans to customers	144.575	1.505
Accrued interest	673	1
Other fees and receivables from customers	8.014	10
Allowance for impairment on principal	(22.244)	-
Allowance for impairment on interest	(313)	-
Allowance for impairment on other loan receivables from customers	(3.711)	-
Net amount of loans to customers	126.994	1.516

21. FINANCIAL RISKS (Continued)

21.6 Credit Risk (Continued)

The following table represents analysis of impaired and overdue loans by days past due:

	In thousands of Denars	
Days past due	**December 31, 2018**	**December 31, 2017**
Less than 90 days	22.139	-
91-180 days	4.231	-
Above 180 days	3.152	-
Total overdue and impaired loans	29.522	-

As of December 31, 2018 and 2017, all overdue loan receivables from customers are impaired according to Company's Loan Impairment Policy. The credit risk concentration of the Company is limited due to its diversification among significant number of small unrelated customers in the countries where it operates.

21.7 Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they become due. The Company is exposed to liquidity risk arising from objective mismatch of the maturities of its assets and liabilities.

The Company follows the general principles of the Group's liquidity policy. The Board of Directors of the Group approves liquidity assessments and management procedures, determines liquidity requirements and sets the necessary minimum cash levels and liquid assets and maturity mismatches.

The main objective of Company's liquidity risk management is to secure stable growth of its loan portfolio and to manage liquid efficiency by ensuring funds for the needs of its credit products and maintaining a minimum surplus of cash.

The Company's management estimates that the matching and the controlled mismatching of undiscounted cash flows and risk of change in the interest rate are significant for maximizing the return. It is usual for companies operating in consumer financing area to have good matching in cash flows in short-term periods due to the quick liquidity. The mismatching in cash flows and lack of surplus in cash potentially leads to increase in profitability, but also to increase in risk of loss. The mismatching of cash flows with surplus of cash decreases profitability due to the inefficient use of funds, but at the same time leads to stability in liquidity.

Financial Liabilities Cash Flows

The table below includes discounted cash flows due by the Company from financial liabilities as at the end of the reporting period summarized by outstanding maturity period.

Maturity of Financial Liabilities

							December 31, 2018
	Weighted average effective interest rate	**Less than 3 months**	**3-6 months**	**6 months to 1 year**	**1-5 years**	**Over 5 years**	**Total**
Fixed interest rate	12%	2.990	-	-	123.420	-	126.410
Fixed interest rate	12,37%	51.653	12.088	8.275	-	-	72.016
Non-interest bearing	-	3.370	-	-	-	-	3.370
		58.013	12.088	8.275	123.420	-	201.796

NOTES TO THE FINANCIAL STATEMENTS
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21. FINANCIAL RISKS (Continued)

21.7 Liquidity Risk(Continued)

	Weighted average effective interest rate	Less than 3 months	3-6 months	6 months to 1 year	1-5 years	Over 5 years	Total
							December 31, 2017
Fixed interest rate	12%	64	-	-	7.071	-	7.135
Non-interest bearing	-	862	-	-	-	-	862
		926	-	-	7.071	-	7.997

21.8 Fair Value Measurement

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions, and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Carrying Amount to Fair Value

Carrying amount to fair value for the year ended December 31, 2018 is as follows:

	In thousands of Denars December 31, 2018		In thousands of Denars December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	14.275	14.275	2.182	2.182
Loans to customers	132.389	132.389	1.516	1.516
Receivables for attracted funding through P2P platform	5.395	5.395	-	-
	152.059	152.059	3.698	3.698
Financial liabilities				
Short-term borrowings	75.006	75.006	64	64
Long-term borrowings	123.420	123.420	7,071	7,071
Trade payables	3.370	3.370	862	862
	201.796	201.796	7.997	7.997

Assumptions Used in Determining Fair Value of Financial Assets and Liabilities

Considering the fact that sufficient market experience, stability and liquidity do not exist for the purchase and sale of financial assets or liabilities, given that published market information is not readily available for the purposes of disclosure the fair value information of the aforementioned financial assets and liabilities, the Company used the valuation technique using discounted cash flow analyses. Such valuation technique applied interest rate for the financial instruments with similar characteristics in order to provide reliable estimates of prices obtained in actual market. There is no significant disparity between the carrying value of the financial instruments and its fair value.

22. RELATED PARTY TRANSACTIONS

Composition of Related Parties

The related parties of the Company are as follows:

Company/Individual	Type of Relationship
Shareholder (individual)	Shareholder
Related party 1 (company)	Part of the same group – shareholder
Related party 2 (company)	Part of the same group – shareholder
Management	General Manager

The volume of transactions with related parties of the Company is as follows:

Related Party	Type of Transaction	Year ended December 31, 2018	Period from September 11, 2017 to December 31, 2017
Related party 1	Purchase of software	19.697	-
Related party 2	Re-charge of expenses	109	1.415
Related party 3	Sale of receivables	1.096	-
Management	Short-term loan	1.842	-

The balances of related party transactions of the Company are as follows:

Related Party	Type of Transaction	December 31, 2018	December 31, 2017
Related party 1	Accounts payable	(953)	-
Related party 1	Advance to suppliers	538	-
Related party 3	Accrued expenses	(169)	-
Related party 3	Prepaid expenses	327	-
Management	Short-term loan	(1.842)	-

All transactions with related parties arise in the normal course of business at mutually agreed terms and their value is not materially different from the terms and conditions that would prevail in arm's length transactions.

The total compensation to Management board amounted to Denar 3.586 thousand (2017: Denar 998 thousand).

23. TAXATION RISK

The Republic of North Macedonia currently has several tax laws in effect, as imposed by the Ministry of Finance of the Republic of North Macedonia. The applicable taxes include: value added tax, corporate income tax, and personal income tax, among others. Apart from that, the regulations governing these taxes were not enforced for substantial periods of time; in contrast to similar legislation in more developed market economies. Moreover, the regulations defining the implementation of these laws are often unclear or non-existent. Hence, few precedents with regard to tax issues have been established in the Republic of North Macedonia. Often, contrary opinions pertaining to legal interpretations exist both among, and within, governmental ministries and organizations, thus creating uncertainties and areas of legal contention. Tax returns, together with all other areas regulated by the law (such as customs and foreign exchange controls) are reviewed and controlled by competent authorities by several authorized vested in powers to assess severe fines and penalties.

The Company performs transactions with related parties. Although the Company's management holds that it is in possession of sufficient and adequate documentation in respect of transfer prices, there is uncertainty with regard to the requirements and interpretations of the tax and other authorities, which may differ from those of the management. The Company's management believes that any varying interpretations will have no material effects on the Company's financial statements.

The interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Company may not coincide with that of the management. As a result, transactions may be challenged by tax authorities and the Company may need to pay additional taxes, penalties and interest, which can be significant. The periods remain open to review by the tax and customs authorities with respect to tax liabilities are for five years. This practically means that tax authorities could determine payment of outstanding liabilities in the period of five years from the origination of the liability. The afore-described situation creates tax risks in the Republic of North Macedonia that are substantially more significant than those typically existing in countries with more developed tax systems.

24. EVENTS AFTER THE REPORTING PERIOD

Increase in Paid-in Capital

As of December 28, 2018 due to increased operations of the business the Company's management requested additional capital increase by its owner and following the approval decision issued by the Ministry of Finance on March 11, 2019, the paid-in capital was increased by EUR 200.000 thousand equivalent to Denar 12.299 thousand. This transaction was registered with the Central Registry of Republic of North Macedonia after which the paid-in capital of the sole owner amounts to EUR 400.000 equivalent to Denar 24.596 thousands.

No other events have occurred after the reporting period that require additional disclosures or adjustments in the financial statements of the Company.

APPENDIX 1 – ANNUAL REPORT

APPENDIX 2 – ANNUAL ACCOUNTS