

Dear shareholders, partners and other stakeholders,

I am glad to present the 2019 Annual External Audit Report of the non-bank credit organisation "Mikro Kapital Company" LLC. During 2019 year we aimed strengthening our position as non-bank credit organization and further supporting micro and small entrepreneurs from all over the country.

Strategic Highlights

As of end of 2019 year, Mikro Kapital Company has been supporting 1,383 clients, more by 24% than a year before. It was not a year with a very high growth, however the total disbursement reached about 240 mln MDL, more by 16% than during the 2018 year. At the end of 2019 year, about 35% of our clients were from agricultural sector.

By end of 2019 year, we reached about 283.8 mln MDL in Total Assets (an increase by 23% in comparison with previous year) and a Loan Portfolio of 277 mln MDL (more by 28% than in 2018). At the same time, we managed to keep a very good portfolio quality – the PAR >30 days reached only 2.3%.

We are proud to inform, that during 2019, we added three new international creditors as our partners: Mintos marketplace, since July 2019, with maximum exposure of 2.5 mln EUR; Bank im Bistum (Germany) with 1 mln EUR, disbursed in September 2019; and Fasanara Capital (UK) with 1.5 mln EUR, loan disbursed in November 2019.

Financial Highlights

In comparison with 2018 year, the total interest income in 2019 increased of 42% (from 41.86 to 59.4 mln MDL), mainly due to the increase of Agro and Business loans as well as loans for home acquisitions.

We aim becoming more efficient. Although the number of personnel increased, our operating expense ratio, cost to income ratio and costs per active clients have been almost the same as a year before, with some tendencies of improvement.

Mikro Kapital Company has maintained a good operational self-sufficiency of 123.5%, although it is a decrease from 132% in 2018 year. For already a fourth consecutive year, our company registered a net profit, which was about 5 mln MDL in 2019 year (a decrease from about 8 mln MDL in 2018 year). One of the main causes of the decrease in net profitability was the loss in amount of 2.15 mln MDL because of foreign currencies exchange rates evolution during 2019.

With growth in portfolio/assets we maintained a good Capital Adequacy Ratio (CAR) – 20.3% at end of 2019. Our shareholder continued to support our development by investing additionally 350 k EUR in share capital in October 2019.

Operating Highlights

In March 2019, the organization's name "Credit CMB" changed to "Mikro Kapital Company". In the fourth quarter 2019, we opened a new branch in Cahul town. Our company has increased in staff too: we added 10 loan officers to our team. At end of 2019 year, Mikro Kapital Company had 7 branches and was employing 46 staff, including 33 loan officers.

Looking Ahead

The 2020 year will be a year with big challenges because of Covid 19 virus outbreak. We will further support our clients in this difficult time and develop alternative sales channels or new products. Most probably our Business Plan for 2020 will change too. We foresee a decrease in company's activity in April-June 2020, but aim catching up the disbursements in the second half of year. Hopefully, our existing creditors and new ones will support our company too. We, at institution level, will take all the possible measures to minimize the risks and ensure business continuity during and after the crisis.

By submitting the Annual Report, I would like to express my gratitude to the shareholders, the Board of Directors and the entire Company staff for the effort made during 2019.

Sergiu Turcanu
CEO of "Mikro Kapital Company" Ltd
April 2020



Grant Thornton Audit S.R.L.

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of O.C.N. "Mikro Kapital Company" SRL ("the Company"), which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter "IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Group Auditor Instructions. Our responsibilities under those standards are further described in the *Auditor's responsibility for the audit of financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Moldova, including the law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

As described in Note 23 of the financial statements, a significant part of the borrowings, interest expenses and other expenses are in relation to affiliates. The development and growth of the Company is dependent on the future continuation of these relations. In addition, IAS 24 "Related Parties" refers to arm's length principle, according to which transactions between related parties must be carried out at market values. The Company does not have sufficient documentation in place to support transactions are made at market prices. Our report is not qualified in respect of these matters

As described in Note 25.2 of the financial statements and following the Coronavirus outbreak in 2020 the Company has subsequently implemented an emergency working plan in order to minimize the impact of the pandemic on the Company. The Company's performance, however, closely depends on the duration of this outbreak, the effective measures taken by the general public and the authorities in curbing the outbreak. The economic consequences and uncertainties resulting from the Coronavirus itself or from

The current independent audit opinion replaces and repeals any previous versions that were circulated previously.

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actions taken by governments and the private sector to respond to the outbreak may have an impact on various financial indicators and ultimately on the Company's going concern. Our opinion is not modified in respect of this matter.

Other matters

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

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who issued a clean audit report on 10 April 2019.

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

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

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

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

Auditors' responsibility for the audit of financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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auditor's report. However, future events or conditions may cause the Company to cease to continue as going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Grant Thornton

Grant Thornton Audit S.R.L.
Chisinau, Republic of Moldova
01 April 2020

O.C.N. "Mikro Kapital Company" SRL
FINANCIAL STATEMENTS
For the year ended 31 December 2019
(All amounts in Moldovan Lei (MDL) unless otherwise stated)

Statement of profit and loss and other comprehensive income

	Note	2019	2018*
Interest income		59,421,638	41,859,319
Interest expense		(25,922,875)	(15,336,381)
Net interest income	4	33,498,763	26,522,938
Fee and commission income		605,979	372,122
Fee and commission expense		-	-
Net fee and commission income	5	605,979	372,122
Net financial income		34,104,742	26,895,061
Allowance for loan impairment	12	(1,545,612)	(2,417,174)
Total net income		32,559,130	24,477,887
Net gain/(loss) from loans written-off	6	(66,278)	618,232
Other expenses	7	(8,448,853)	(4,592,222)
Staff and management expenses	8	(12,638,258)	(10,091,287)
Depreciation and amortization		(1,956,101)	(1,585,264)
Total operating expenses		(23,043,212)	(16,268,773)
Net financial profit/(loss)	9	(1,920,476)	1,026,099
Profit before tax		7,529,164	9,853,444
Income tax expense	10	(2,490,765)	(1,823,075)
Profit for the year		5,038,399	8,030,369
Other comprehensive income		-	-
Total comprehensive Income		5,038,399	8,030,369

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

The accompanying notes are an integral part of these financial statements.
The financial statements were authorized for issue on 01 of April 2020 by:

Mr. Turcanu Sergiu
Administrator



O.C.N. "Mikro Kapital Company" SRL
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Statement of financial position

Assets	Note	31 Dec. 2019	31 Dec. 2018 *
Cash and cash equivalents	11	6,282,411	11,922,045
Loans granted to customers	12	271,172,761	210,290,836
Other assets and receivables	13	900,011	1,402,532
Financial investment	14	623,700	610,020
Property and equipment	15	1,555,624	553,024
Intangible assets	16	3,297,654	3,806,935
Total assets		283,832,161	228,585,392
Liabilities			
Trade and other liabilities	17	2,577,430	2,446,938
Lease liability	18	2,538,824	3,016,805
Borrowings from banks and other parties	19	216,710,321	174,525,846
Advances from customers	20	3,459,399	2,150,714
Provisions for untaken holidays		777,851	602,763
Deferred tax liabilities	21	118,779	10,249
Total liabilities		226,182,604	182,753,315
Equity			
Share capital		54,018,406	47,239,325
Legal reserve		2,700,920	-
Retained earnings		930,231	(1,407,248)
Total equity	22	57,649,557	45,832,077
Total liabilities and equity		283,832,161	228,585,392

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

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Statement of changes in equity

	Share capital	Reserves	Retained earnings	Total equity
Balance at 1 January 2018	47,239,325	-	(9,437,617)	37,801,708
Transactions with owners	-	-	-	-
Result of the year	-	-	8,030,369	8,030,369
Transfers to reserves	-	-	-	-
Balance as at 31 December 2018	47,239,325	-	(1,407,248)	45,832,077
Balance at 1 January 2019	47,239,325	-	(1,407,248)	45,832,078
Share capital increase	6,779,081	-	-	6,779,081
Transactions with owners	6,779,081	-	-	6,779,080
Result of the year	-	-	5,038,399	5,038,399
Transfers to reserves	-	2,700,920	(2,700,920)	-
Balance as at 31 December 2019	54,018,406	2,700,920	930,231	57,649,557

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

At the end of 2019 the Company has decided to create a legal reserve in amount of MDL 2,700,920 which represents 5% out of total share capital.

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Statement of cash flows

	2019	2018
Operating activities		
Net profit	5,038,399	8,030,369
Income from dividends	(235,716)	(164,062)
Income tax expenses	2,490,765	1,823,075
Allowances for loans	1,545,612	2,417,174
Untaken holiday provision	175,088	304,109
Depreciation and amortization	1,956,101	1,585,264
Interest expense	25,922,875	15,336,381
Net cash flows from operating activities before changes in operating assets and liabilities	36,893,124	29,332,310
<i>(Increase)/decrease in operating assets</i>		
Lease and loans receivables	(62,427,537)	(87,711,102)
Trade and other receivables	502,520	(1,007,385)
<i>Increase/(decrease) in operating liabilities</i>		
Trade and other payables	632,169	622,090
Customer advances	1,417,215	300,629
Net cash flows from operating activities before income tax	(22,982,509)	(58,463,458)
Income tax paid	(2,992,442)	(1,405,278)
Net cash from operating activities	(25,974,951)	(59,868,736)
Investing activities		
Purchase of property, plant and equipment	(1,276,546)	(387,868)
Purchase of other intangible assets (including right of use)	(1,172,874)	(2,049,885)
<i>Out of which Right of use according to IFRS 16</i>	<i>(989,523)</i>	<i>(1,389,776)</i>
Financial investments	(13,680)	-
Dividends received	235,716	164,062
Net cash used in investing activities	(2,227,384)	(2,273,691)
Financing activities		
Proceeds from borrowings	127,839,013	83,481,035
Repayment of borrowings	(100,377,42)	(7,056,304)
Payment of interest	(11,677,974)	(5,081,668)
Proceeds from issue of share capital	6,779,081	-
Net cash from (used in) financing activities	22,562,700	71,343,063
Net change in cash and cash equivalents	(5,639,634)	9,200,636
Cash and cash equivalents, beginning of year	11,922,045	2,721,409
Cash and cash equivalents, end of year	6,282,411	11,922,045
Net increase/ (decrease) in cash and cash equivalents	(5,639,634)	9,200,636