ERB LEASING a.d. BELGRADE - IN LIQUIDATION

Financial Statements as of and for the Year Ended 31 December 2020

and

Independent Auditor's Report

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This is an English translation of Independent Auditor's Report and 2020 Financial Statements originally issued in the Serbian language

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ERB LEASING a.d. BELGRADE – IN LIQUIDATION

Opinion

We have audited the financial statements of the Joint stock company for finance lease "ERB Leasing" a.d. Belgrade – in liquidation (hereinafter: the "Company"), which comprise the balance sheet as of 31 December 2020 and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the regulations prevailing in the Republic of Serbia and the basis of preparation of the financial statements disclosed in Note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Law on Audit and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 Serbia*, 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

We draw attention to Note 2.2. to the financial statements, which describes the basis of preparation of the accompanying financial statements. On 23 June 2017, the Shareholders' Assembly of the Company passed the Decision on termination of its operations and initiation of liquidation procedure pursuant to the provisions of the Company Law ("RS Official Gazette", no. 36/2011, 99/2011, 83/2014, 5/2015, 44/2018, 95/2018 and 91/2019) and Law on Bankruptcy and Liquidation of Banks and Insurance Companies ("RS Official Gazette", no. 14/2015 and 44/2018). Subsequent to receiving the National Bank of Serbia's approval for initiating the procedure of voluntary liquidation, on 29 August 2017 the Company registered the Notification on the liquidation procedure initiation with the Serbian Business Registers Agency under no. BD 72253/2017. The liquidation procedure is still underway. Consequently, these financial statements have been prepared on a gone concern basis. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ERB LEASING a.d. BELGRADE - IN LIQUIDATION (Continued)

Other information

Management is responsible for the other information. The other information comprises the Annual Business Report for the year ended 31 December 2020 (but does not include the financial statements and our auditor's report thereon). Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Solely based on the work we have performed during the audit of the financial statements, in our opinion, the information provided in the Annual Business Report for the year ended 31 December 2020, which has been prepared in accordance with the provisions of the Law on Accounting of the Republic of Serbia, is consistent, in all material respects, with the financial statements.

In addition, if, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law on Audit and 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ERB LEASING a.d. BELGRADE - IN LIQUIDATION (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with the Law on Audit and ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

Belgrade, 26 April 2021

Ksenija Ristic Kostic
Certified Auditor

Društvo za reviziju BDO d.o.o. Beograd

INCOME STATEMENT
For the Year Ended 31 December 2020
In RSD thousand

	Note	2020	2019
OPERATING INCOME AND EXPENSES			
Interest income	3.1, 5	156	178
Interest expenses	3.1.	-	-
Net interest income		**156**	**178**
Net foreign exchange losses and effects of foreign currency clause	3.3, 6	(3)	(126)
Other operating income	7	252	187
Net impairment (losses)/gains on finance lease receivables and financial assets		(2)	375
Total operating income		**403**	**614**
Salaries and other personnel costs	3.15, 8	(5,639)	(5,557)
Depreciation and amortization costs		(22)	(175)
Other expenses	9	(3,400)	(3,425)
Total operating expenses		**(9,061)**	**(9,157)**
LOSS BEFORE TAX		**(8,658)**	**(8,543)**
INCOME TAXES	3.13, 10		
Current tax expense		-	-
Deferred tax expense		-	-
LOSS FOR THE YEAR		**(8,658)**	**(8,543)**

The notes on pages 9 to 40
are an integral part of these financial statements.

These financial statements were authorized for issue on 23 April 2021 and were signed by:

Vladan Miljanovic

Legal Representative

STATEMENT OF OTHER COMPREHENSIVE INCOME
For the Year Ended 31 December 2020
In RSD thousand

	2020	2019
Loss for the year	**(8,658)**	**(8,543)**
Other comprehensive income	**-**	**-**
Total comprehensive loss for the year	**(8,658)**	**(8,543)**

The notes on pages 9 to 40
are an integral part of these financial statements.

Leasing A.D.
ERB Leasing
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Beograd

Vladan Miljanovic

Legal Representative

BALANCE SHEET
As of 31 December 2020
In RSD thousand

	Note	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	3.10, 11	56,921	65,509
Short-term financial placements	12	23,516	23,519
Receivables from finance lease activities	3.6, 3.7, 13	-	3
Equipment	3.5	1	261
Receivables for overpaid income tax	3.13.	422	422
Other assets	15	20,457	19,980
TOTAL ASSETS		**101,317**	**109,694**
EQUITY AND LIABILITIES			
Liabilities			
Provisions	3.14, 17	2,840	2,840
Other liabilities	3.12, 18	2,563	2,282
		5,403	**5,122**
Equity			
Share capital	19	118,200	118,200
Retained earnings		58,950	58,950
Accumulated loss		(81,236)	(72,578)
		95,914	**104,572**
TOTAL EQUITY AND LIABILITIES		**101,317**	**109,694**

The notes on pages 9 to 40
are an integral part of these financial statements.

Vladan Miljanovic

Legal Representative

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2020
In RSD thousand

	Share capital	Retained earnings	Accumulated loss	Total
Balance as of 1 January 2019	**118,200**	**58,950**	**(64,035)**	**113,115**
Loss for the year ended 31 December 2019	-	-	(8,543)	(8,543)
Balance as of 31 December 2019	**118,200**	**58,950**	**(72,578)**	**104,572**
Loss for the year ended 31 December 2020	-	-	(8,658)	(8,658)
Balance as of 31 December 2020	**118,200**	**58,950**	**(81,236)**	**95,914**

The notes on pages 9 to 40
are an integral part of these financial statements.

Vladan Miljanovic

Legal Representative

STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2020
In RSD thousand

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	**605**	**2,082**
Receipts from finance lease placements	-	1,253
Receipts from rent and sales and other advances received	200	79
Other receipts from operations	405	750
Cash outflow from operating activities	**(9,195)**	**(10,256)**
Other payments to suppliers and advances paid	-	(779)
Payments for salaries and other personnel costs	(5,556)	(5,528)
Other outflows from operations	(3,639)	(3,949)
Net cash used in operating activities	***(8,590)***	***(8,174)***
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	**2**	**2**
Interests receipts from term deposits	2	2
Net cash from investing activities	***2***	***2***
Net decrease in cash and cash equivalents	**(8,588)**	**(8,172)**
Cash and cash equivalents, beginning of the year	65,509	73,681
CASH AND CASH EQUIVALENTS, END OF THE YEAR (Note 11)	**56,921**	**65,509**

The notes on pages 9 to 40
are an integral part of these financial statements.

ERB Leasing A.D. U LIKVIDACIJI 1 Beograd

Vladan Miljanovic

Legal Representative

1. CORPORATE INFORMATION

"ERB Leasing" a.d. Belgrade – in liquidation, is the joint stock company for finance lease (hereinafter: the "Company"). The Company was inscribed in the Serbian Business Registers Agency on 17 June 2006 under the number BD 121751/2006 and the name EFG Leasing a.d. Belgrade.

Pursuant to the Decision of the Serbian Business Registers Agency number 156311/2012 dated 13 December 2012 Company changed legal name to ERB Leasing a.d. Belgrade.

The Company is registered in the Republic of Serbia for finance lease activities (code 6491) and it operates in accordance with the Law on Finance Lease.

The Company is founded by Eurobank a.d. Belgrade and Eurobank Ergasias S.A. Athens, Greece. Pursuant to the Decision of the Serbian Business Registers Agency number 134291/2007 dated 8 October 2007 a new shareholder - ERB New Europe Holding B.V., Amsterdam, the Netherlands, was registered. The new shareholder acquired a part of the Company's shares after the III issue of shares.

On 29 August 2017 the Company registered the Notification on the liquidation procedure initiation with the Serbian Business Registers Agency under no. BD 72253/2017 and changed the name to ERB leasing ad Belgrade – in liquidation.

As of 31 December 2020, the Company is domiciled in Belgrade, 10, Vuka Karadzica Street.

As of 31 December 2020, the Company had 1 employee (31 December 2019: 1 employee).

The Company's tax identification number is 104466014. Its registration number is 20170859**.**

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis of Preparation and Presentation of the Financial Statements

The accompanying separate financial statements have been prepared in accordance with the Law on Accounting ("RS Official Gazette", no. 73/2019 – hereinafter the "Law) and other applicable laws and by-laws in the Republic of Serbia.

For the recognition, measurement, presentation and disclosure of items in the financial statements, the Company, as a public entity, is required to apply International Financial Reporting Standards, which, as per the aforementioned Law, comprise the Conceptual Framework for Financial Reporting, International Accounting Standards ("IASs") and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), as well as the related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), the translations of which to the Serbian language are approved and published by the Ministry of Finance.

Pursuant to the Decision of the Minister of Finance of the Republic of Serbia on Determining the Translation of International Financial Reporting Standards no. 401-00-4980/2019-16 dated 21 November 2019 ("RS Official Gazette", no. 92/2019), the official translation of IFRSs has been established. The IFRS translation established and published by the Ministry of Finance consists of the Conceptual Framework for Financial Reporting, IASs basic texts, IFRSs basic texts issued by the IASB, as well as interpretations issued by the IFRIC, in the form in which they are issued or adopted and which do not include reasoning, illustrative examples, guidelines, comments, dissenting opinions, elaborated examples and other supplementary explanatory material that may be adopted in connection with standards or interpretations, unless it is not explicitly stated that it is an integral part of the standard or interpretations (hereinafter: the "IFRS translation").

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1. Basis of Preparation and Presentation of the Financial Statements (Continued)

The special requirements of the Law depart from IFRSs due to the fact that only the translated standards have been adopted, and these financial statements do not contain the effects of IFRSs issued after 21 November 2019, i.e. the IFRS translation includes IFRSs applicable for the accounting periods beginning on or after 1 January 2018, which the Company adopted.

The accompanying financial statements have been prepared in accordance with the requirements of the Decision on the Chart of Accounts and the Contents of Accounts in the Chart of Accounts for Finance Lease Providers ("RS Official Gazette", no. 93/2020 and 16/2021) and the Decision on the Content and Form of Financial Statements for Finance Lease Providers ("RS Official Gazette", no. 93/2020).

The accompanying financial statements have been prepared in accordance with the requirements of the Decision on the Chart of Accounts and the Contents of Accounts in the Chart of Accounts for Finance Lease Providers (RS Official Gazette, no. 93/2020 and 16/2021) and the Decision on the Content and Form of Financial Statements for Finance Lease Providers ("RS Official Gazette", no. 93/2020).

The aforementioned decisions governing the presentation of the financial statements take precedence over the requirements defined by IFRS in this regard, which have been published by the Ministry of Finance.

In view of the above discrepancies, the accompanying financial statements cannot be considered as financial statements prepared in accordance with IFRSs.

The Company's financial statements are stated in thousands of Dinars (RSD), unless otherwise stated. The Dinar is the functional and official reporting currency of the Company. All amounts denominated in RSD are rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in accordance with the Law on Accounting of the Republic of Serbia requires the use of certain key accounting estimates. It also requires management to exercise its judgment in the application of accounting policies. The areas that require a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.17.

The accompanying financial statements of the Company have been prepared in accordance with the "gone-concern" principle, that is, on the basis of the concept of discontinuance and liquidation value given that the Company is in the process of liquidation, as explained in more detail in Note 2.2.

The accounting policies and estimates adopted in the preparation of these separate financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2019, except for the application of new and amended IASs, IFRSs and interpretations, where applicable, as disclosed in text below.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1. Basis of Preparation and Presentation of the Financial Statements (Continued)

There are a number of new and amended standards and IFRIC interpretations determined by the IFRS translation that are effective for the annual periods beginning on 1 January 2020, out of which the most significant are IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers". The impact analysis of the first application of the new and amended standards included in the IFRS translation is disclosed furher below.

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, as well as a new model of expected credit loss to measure impairment of a financial asset and new general hedge accounting requirements. It also continues the guidance on recognition and derecognition in IAS 39.

Classification and measurement: IFRS 9 includes three principal classification categories for financial assets:

- financial assets measured at amortized cost;
- financial assets measured at fair value through profit or loss (FVTPL); and
- financial assets measured at fair value through other comprehensive income (equity – FVTOCI).

Financial assets are classified and measured by reference to the business model in which assets are held and their contractual cash flow characteristics.

The business model is defined in accordance with the assessment of the Company's management on the purpose for which the financial assets are held and the objectives of financial asset management based on all available relevant information for the assessment of the business model. The business model of the Company can be defined as assets held in order to collect cash flows, and includes financial placements and accounts receivable (trade and other).

Classification and measurement of financial assets determined by assessment of the characteristics of contractual cash flows in terms of solely payments of principal and interest (SPPI test), depending on the business model, is as follows:

- Financial assets which meet SPPI test are valued at amortized cost if the business model is "hold to collect" (contractual cash flows), and at fair value through other comprehensive income if the business model is "hold to collect and sell" (both to collect contractual cash flows and sell financial assets); and
- Financial assets which fail SPPI test are measured at fair value through profit and loss, regardless of the business model.

Under IFRS 9 "Financial Instruments" financial liabilities are classified in a similar manner to under IAS 39, hence, financial liabilities are classified as measured at amortized cost and measured at fair value through profit or loss.

The Company's financial instruments include financial placements, receivables from finance lease activities, other short-term receivables, trade payables and other payables measured at amortized cost and fulfil the new requirements of IFRS 9 (business model test and the characteristics of contractual cash flows) to be measured at amortized cost.

The Company has no financial assets measured at fair value through profit or loss or through other comprehensive income and no financial liabilities measured at fair value.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1. Basis of Preparation and Presentation of the Financial Statements (Continued)

Impact Assessment of IFRS 9 (Continued)

Hedge accounting: There have been no changes in respect of new hedge accounting requirements, as the Company does not apply hedge accounting.

Impairment (provisions): IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. Financial assets measured at amortized cost are subject to the impairment provisions of IFRS 9.

Since 1 January 2020, the Company applies an "expected credit loss" model when calculating impairment losses on its current trade and other receivables. The Company considers the probability of a default occurring over the contractual life of financial assets on its initial recognition. This results in greater judgement due to the need to factor in forward looking economic information when estimating the appropriate amount of provisions. A default is considered to have occurred with regard to a particular client when either or both of the following have taken place:

- The Company considers that the client is unlikely to pay its credit obligations to the Company, the holding or any of the Company's related parties in full, without recourse by the Company to actions such as realizing collateral; and
- The obligor is past due by more than 90 days on any material credit obligation to the Company, the holding or any of the Company's related parties.

The Company has assessed the effects of the first application of IFRS 9 since 1 January 2020 and concluded that there was no material impact on the Company's financial statements, i.e., on the classification and measurement of financial assets and liabilities, nor the adoption of the new model of impairment of financial assets resulted in the adjustment of retained earnings as of 1 January 2020, considering that the Company does not have receivables from finance lease activities and other receivables subject to impairment.

IFRS 15 "Revenue from Contracts with Customers" supersedes the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations.

IFRS 15 provides a single model based on five-step approach to revenue recognition being applied to all contracts with customers, as follows:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract (sale of goods/rendering of services);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The application of IFRS 15 requires the management to make judgements that affect the determination of the amount and timing of revenue recognition from contracts with customers. These include:

- Determining the timing of satisfaction of performance obligations; and
- Determining the transaction price allocated to them.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1. Basis of Preparation and Presentation of the Financial Statements (Continued)

Impact Assessment of IFRS 15 (Continued)

On transition, there is a choice of two approaches:

- Fully retrospective application, under which IFRS 15 is applied to each prior reporting period with these being restated; or
- A cumulative catch-up approach under which IFRS 15 is applied on a retrospective basis with the cumulative effect being recognized as an adjustment to opening balance of retained earnings as of 1 January 2020 with comparative information not being restated.

The application of IFRS 15 since 1 January 2020 did not have an impact on the timing and amount of recognition of revenue under contracts with customers and assets and liabilities associated with them, and did not result in the adjustment of the Company's retained earnings as of 1 January 2020.

In addition, the application of other amendments to the existing standards and IFRIC interpretations determined by the IFRS translation did not result in substantial changes to the Company's accounting policies and did not have an impact on the Company's accompanying financial statements.

2.2. Going-concern Principle

On 23 June 2017 shareholder assembly passed the Decisions on the terminations of its operations and initiation of the liquidation procedure pursuant to the provisions of the Law on Companies.

After obtaining a consent on the opening of the voluntary liquidation by the National Bank of Serbia Company has been registered Decision on the entering in the liquidation procedure on 29 August 2017 within the Serbian Business Registers Agency under the number BD 72253/2017.

Consequently, when preparing the annual financial statements starting from 2018, the Company's management is aware of material uncertainties related to the ability of the Company to continue to operate permanently and, thus, assesses that these financial statements are prepared based on the gone-concern principle.

The Company is not considered as a company that operates on an ongoing concern principle.

The management considers that it has sufficient liquidity to complete the liquidation proceedings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Revenue Recognition

Revenue includes the fair value of the received amount or the fair value of receivables arising from sale of goods and services in the Company's ordinary course of business. Revenue is recognized without VAT, return of the goods, rebate and discounts.

The Company recognizes revenue when the amount of the revenue can be reliably measured, when it is likely the Company will have future economic benefit and when particular criteria for every activity of the Company, as stated in the text bellow, are met.

The amount of the revenue is not considered reliably measurable until all potential liabilities arising from the sale are resolved. The Company bases its estimates on the previous results taking into consideration the type of the buyer, the type of the transaction and specific characteristics of each transaction.

Interest income is recognized in the income statement using the effective interest method, which does not include fees for the approval of finance lease placements. The effective interest method is a method of calculating the amortized cost of a financial asset and allocating the relevant interest income over the useful life of a financial asset. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial instrument.

Income and expenses from services are recognized on the accrual basis when services are provided.

3.2. Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

3.3. Foreign Currency Translation

Transactions occurred in foreign currencies are translated into RSD at official exchange rates, as determined at the Interbank Market, at the date of each transaction.

Assets and liabilities denominated in foreign currencies are translated into RSD at the official middle exchange rates prevailing at the balance sheet date.

Indexed receivables from finance lease are translated at contracted rate, which is by the Company's policy selling rate of Eurobank a.d. Belgrade.

Foreign exchange gains or losses arising upon the translation of assets, liabilities and transactions are credited or debited as appropriate, to the income statement, within foreign exchange gains and losses, in the period in which they were incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3. Foreign Currency Translation (Continued)

The official middle exchange rates for major currencies, determined at the Interbank Market, used in the translation of balance sheet items denominated in foreign currencies as of 31 December 2020 and 2019 into the functional currency (RSD) were as follows:

	31 December 2020	In RSD 31 December 2019
EUR	117.5802	117.5928
CHF	108.4388	108.4004

3.4. Intangible Assets

As of 31 December 2020 intangible assets are stated at cost less the accumulated amortization. Intangible assets consist of computer software.

The amortization is calculated on a straight-line basis in order to fully write off the cost of such assets over their estimated useful lives (at the rate of 16.67%).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the cost of the software development employees and an appropriate portion of relevant overheads.

3.5. Property, Plant and Equipment

The Company's property, plant and equipment consist of equipment. As of 31 December 2020 equipment is stated at cost less the accumulated depreciation. Cost includes invoiced value of purchased assets and any directly-attributable costs of bringing the asset to the location and working condition necessary for its intended use.

Calculation of depreciation of equipment is performed from the month following the date when the use of the asset begins. Depreciation of equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as presented in the following table:

- Computer equipment	20.00% - 30.00%
- Furniture and other equipment	12.50% - 25.00%
- Vehicles	20.00%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of equipment and are included in the income statement.

Current maintenance costs are charged to the expenses in the period when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Receivables from Finance Lease

The Company, as a lessor, recognizes assets held under a finance lease in its balance sheet and presents them as receivables from finance lease at an amount equal to the net investment in the lease. The Company transfers all risk inherent to ownership when lease contract is signed.

Gross investment in the lease is the aggregate of: the minimum lease payments receivable by the lessor under a finance lease, and any unguaranteed residual value accruing to the lessor. Net investment in the lease is the gross investment in the lease less unearned finance income that is calculated using the interest rate defined in the finance lease agreement.

Finance income is recognized over the period of the lease on the basis of constant effective rate of return. Lease instalments that relate to the current period, excluding administrative costs, are recognized as a decrease of lease principals and unearned finance income.

3.7. Impairment of Financial Assets

In accordance with adopted IFRS 9 "Financial Instruments", impairment is calculated and recognized for all financial assets that are measured at amortized cost and for financial assets that are measured at fair value through other comprehensive income. The Company applies an "expected credit loss" model when calculating impairment of receivables from finance lease activities and other receivables.

The Company recognizes allowance for expected credit losses (ECL) that reflect changes in credit quality since initial recognition to financial assets that are measured at AC and FVOCI, including loans, debt securities, financial guarantee contracts and loan commitments. ECL is a probability-weighted average estimate of credit losses that reflects the time value of money.

Upon initial recognition of the financial instruments in scope of the impairment policy, the Company records a loss allowance equal to 12-month ECL, being the ECL that result from default events that are possible within the next twelve months.

Subsequently, for those financial instruments that have experienced a significant increase in credit risk (SICR) since initial recognition, a loss allowance equal to lifetime ECL is recognized, arising from default events that are possible over the expected life of the instrument.

Accordingly, ECL are recognized using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – When there is no significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12-months ECL is recorded. The 12 – month ECL represent a portion of lifetime losses, that result from default events that are possible within the next 12 months after the reporting date and is equal to the expected cash shortfalls over the life of the instrument or group of instruments, due to loss events probable within the next 12 months. Not credit-impaired financial assets that are either newly originated or purchased are classified initially in Stage 1.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. Lifetime ECL represent the expected credit losses that result from all possible default events over the expected life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Financial Assets (Continued)

Definition of Default

To determine the risk of default, the Company applies a default definition for accounting purposes, which is consistent with the one used for internal credit risk management purposes.

A default is considered to have occurred with regard to a particular client when either or both of the following have taken place:

- Company considers that the client is unlikely to pay its credit obligations to the Company, the holding or any of the Company's related parties in full, without recourse by the Company to actions such as realizing collateral;
- The obligor is past due by more than 90 days on any material credit obligation to the Company, the holding or any of the Company's related parties.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that exposure have occurred:

- The borrower faces a significant difficulty in meeting his financial obligations.
- There has been a breach of contract, such as a default or past due event.
- Company, for economic or contractual reasons relating to the borrower's financial difficulty, has granted to the borrower a concession(s) that the Company would not otherwise consider.
- There is a probability that the borrower will enter bankruptcy or other financial re-organization.

As part of the Eurobank Group, the Company applies the Group Methodology for calculating impairment.

The carrying amount of receivables is reduced using an allowance account for expected credit losses and the amount of loss is recognized in the income statement within impairment losses on finance lease receivables and financial assets.

Subsequent recoveries of amounts previously written off and reversal of the previously recognized impairment loss are credited to the income statement within impairment gains on finance lease receivables and financial assets.

When a receivable is uncollectible, it is written off against the related allowance for impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Until 31 December 2019, the allowance for trade receivables was determined in accordance with the requirements of IAS 39 "Financial Instruments: Recognition and Measurement", i.e., when there was objective evidence that the Company would not be able to collect all amounts receivable based on the original terms of the receivable. The Company firstly assessed whether objective evidence of impairment existed individually for financial assets that were individually significant, and individually or collectively for financial assets that were not individually significant. If the Company determined that no objective evidence of impairment existed for an individually assessed financial asset, whether significant or not, it included the asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment.

The amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's effective interest rate. If a receivable or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current interest rate determined under the contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Repossessed Assets

Finance lease assets repossessed in exchange of uncollectible receivables are valued at the lower of carrying amount (net book value) and fair value less costs to sell (net selling value). Gains and losses on sale of repossessed assets are recognized in the moment of sale in net amount in the income statement.

3.9. Advances Paid for Leased Assets

Advances paid to suppliers on the basis of finance lease contracts signed by lessees that are not activated (delivery did not take place yet, final invoice has not been raised etc.), are treated as financial assets and are indexed to the foreign currency, in accordance with IFRS 9 “Financial instruments”. Advances paid are recognized within “Repossessed assets”.

3.10. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, sight deposits held with banks and bank overdrafts.

3.11. Borrowings

Long-term borrowings are initially recognized at fair value of the inflow (determined by using the prevailing interest rate in the market for a similar instrument, if it significantly differs from the transaction price), not including incurred costs of transactions.

After the initial recognition, liabilities are subsequently stated at amortized cost by using the effective interest rate method. Any difference between the fair value of the inflow (less cost of transaction) and repaid amount is recognized as interest expense during the life of the loan.

3.12. Accounts Payable

Trade payables and other current liabilities are measured at amortized cost, which approximates their nominal value due to the short-term nature of these liabilities.

3.13. Income Taxes

Current Income Tax

Current income tax is calculated and paid in accordance with the effective Corporate Income Tax Law and relevant by-laws.

Current income tax is payable at the legally prescribed rate of 15% (31 December 2019: 15%) on the taxable income determined and reported in the annual corporate income tax return, which includes the profit/(loss) before taxation reported in the statutory statement of income, as adjusted for differences that are specifically defined under the above Law, less any prescribed tax credits.

The tax regulations in the Republic of Serbia do not envisage that any tax losses of the current period can be used to recover taxes paid within a specific previous period. Losses of the current period may be transferred to the account of profit determined in the annual tax return from the future accounting periods, but not longer than 5 ensuing years.

The annual tax return is submitted no later than 180 days from the date of the expiry of the period for which the tax liability is being determined. During the year, the income tax in paid in monthly instalments, established based on the tax return for the prior year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13. Income Taxes (Continued)

Deferred Income Tax

Deferred income taxes are provided using the balance sheet 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 or the substantively-enacted rates at the balance sheet date are used to determine the deferred income tax amount.

Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and the tax effects of income tax losses and credits are available for carry forward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carry forwards can be utilized.

3.14. Provisions and Contingencies

Provisions

Provisions are recognized and calculated when the Company has a pending, present legal or contractual obligation as a result of a past event, and when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions for retirement benefits are measured at the present value of the estimated future cash outflows using interest rates of high-quality securities that are denominated in the currency in which the benefits will be paid (Note 3.15(c)).

Provisions for legal proceedings represent the Company management's best estimates of the expenditures required to settle such obligations (Note 20(b)).

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed (Note 20(b) and (c)) unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

3.15. Employee Benefits

(a) Employee Taxes and Contributions for Social Security

In accordance with the regulations prevailing in the Republic of Serbia, the Company has an obligation to pay tax and contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee, by the employer in an amount calculated by applying the specific, legally-prescribed rates.

The Company bears the expenses of the employees' benefits such as health insurance, pension insurance, unemployment insurance and similar contributions. The Company is legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds.

These expenses are charged to the income statement as a part of salaries and other personnel costs (Note 8).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15. Employee Benefits (Continued)

(b) Pension Obligations

In its ordinary course of business, the Company pays contributions to the Republic of Serbia's pension fund on a mandatory basis and on behalf of its employees. The Company operates according to a defined contribution pension plan of the Republic of Serbia. The contributions are recognized as employee benefit expense in the period in which they arise.

The Company has no other pension plan and no further payment obligations once the contributions have been paid. The Company has no legal obligation to pay further benefits to its current or former employees by the Pension Fund of the Republic of Serbia upon their retirement.

(c) Termination and Retirement Benefits

Termination and retirement benefits are payable when employment is terminated before the normal retirement date, upon regular retirement (retirement benefits) or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

The Company is also obliged to pay retirement benefits upon regular retirement equal to three average salaries of the employee at the moment of payment, while the retirement benefit cannot be lower than three average salaries per employee in the Company at the moment of payment i.e. three average salaries per employee in the Republic of Serbia, according to the latest published information of the competent state statistics office. There is no fund for these payments.

The provision for retirement benefits is charged to the income statement, based on the actuarial calculation.

The Company did not recognized additional provision for retirement benefits for the year ended 31 December 2020, as there were no changes in the number of employees or significant changes in actuarial assumptions.

As of 31 December 2020, the provision for retirement benefits amounts RSD 1,935 thousand (31 December 2019: RSD 1,935 thousand).

(d) Bonuses

The Company does not recognize the liability and expense for bonuses, but recognizes profit-sharing based on the calculation of the profit for the year attributable to shareholders after certain adjustments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16. Related Party Disclosures

For the purpose of these financial statements related legal entities are those entities when one legal entity has a possibility to control another entity or has the right to govern the financial and business operations of the entity, as defined by IAS 24 "Related Party Disclosures".

Relations between the Company and its related parties are regulated at contractual basis. Outstanding balances of receivables and liabilities at the reporting date, as well as transactions occurred during the reporting periods with related parties are separately disclosed in notes to the financial statements (Note 21).

3.17. Critical Accounting Judgments and Estimates

Accounting estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and related assumptions are based on information available as of the reporting date.

The Company makes estimates and assumptions concerning the future. Actual results could differ from those estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and changes in estimates are recognized in the periods in which they become known.

In the text below are listed the assumptions that have a certain risk that may result in adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income Tax

The Company is subject to income tax. The Company recognizes liabilities for anticipated tax issues arising from the audit, the assessment of whether there will be additional taxes.

Where the final tax outcome of these matters in income tax is different from the amounts initially recorded, such differences will impact the current and deferred income taxes and the provision for deferred tax assets and liabilities in the period in which the differences found.

Retirement Benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying value of the pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of maturity of the related pension liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17. Critical Accounting Judgments and Estimates (Continued)

Litigations

When assessing and recognizing provisions and determining the level of exposure to contingent liabilities related to existing litigation, the Company's management makes certain estimates. Reasonable estimates include judgments made by management after considering information that includes notices, settlements, attorneys' evaluations, facts available, identifying potential responsible parties and their ability to contribute to the settlement, as well as prior experience.

A provision is formed when it is probable that a liability can be reliably estimated by careful analysis (Note 17). The required reservation may change in the future due to new events or new information.

Matters that are either possible obligations or do not meet the recognition criteria for a provision are disclosed (Note 20(b) and (c)), unless the possibility of transferring economic benefits is remote.

Fair Value of Financial Assets and Liabilities

Fair value is defined as the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

A market price, where an active market exists, is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of financial assets and liabilities held by the Company. Therefore, for financial instruments where no market price is available, the fair values of financial assets and liabilities are estimated using present value or other estimation and valuation techniques based on current prevailing market conditions.

In the Republic of Serbia, 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 of this, fair value cannot readily or reliably be determined in the absence of an active market, as required by IFRS. The Company’s management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes a provision.

According to the management’s opinion, the amounts of assets and liabilities presented in financial statements as at 31 December 2020 are the most reliable estimated values under the circumstances.

The Company does not have financial assets or financial liabilities measured at fair value through profit or loss or other comprehensive income in the balance sheet.

The fair values of short-term receivables from finance lease, other receivables from finance lease operations, short-term financial assets, cash and cash equivalents, short-term financial liabilities and other short-term liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The management of the Company believes that fair value of assets and liabilities which are stated at amortized cost do not differ significantly from their carrying value, as they mostly bear variable interest rates that are reflective of current market conditions.

In addition, the value of inventories - leased assets returned to the Company (repossessed assets), has been recorded at assessed market value based on a certified appraiser’s assessment. In accordance with the principle of caution, losses identified by such assessments are recorded through profit or loss, while gains are recorded in the balance sheet as a liability.

4. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, and those activities require identification, measurement and estimation of the risk to which the Company is exposed to as well as managing those risks.

The Company has defined through its acts the procedures for risk identification, measurement and risk management in accordance with regulations, standards and best practice. The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and monitor risks and adherence to limits by means of reliable and up-to-date information system.

The Company's management is responsible for implementation of the adequate risk management system and its consistent application.

Given the Company's limited operations in 2020, there were no changes in risk management policies.

Types of Risk

Owing to the nature of its activities, the Company is exposed to the following major risks:

- Credit risk;
- Market risks;
- Liquidity risk; and
- Other operating risks.

Market risks include:

- Currency risk – foreign exchange risk;
- Interest rate risk; and
- Other market risks

4.1. Credit Risk

The Company is exposed to the credit risk to a significant degree. The Company has a determined credit policy in place to ensure that sales of products are made to customers with an appropriate credit history and creditworthiness. The credit policy defines the following:

- Goals of credit policy;
- Basic concepts of credit policy;
- Principles of credit policy;
- Organization of credit activities;
- Responsibility and decision making process;
- Procedure for approval of finance lease placements;
- Collaterals; and
- Collection procedure.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Provisions of the credit policy are following “four eyes principle”. When assuming credit risk, the Company applies the following fundamental rules:

- A prerequisite for every financing transaction is the understanding of the economic background of the transaction.
- A finance lease placement is granted only when the Company has sufficient information on the borrower’s creditworthiness. The Company will not approve a placement to a borrower who is unwilling or unable to provide sufficient information.
- The Company approves new lease placements based on the customer rating of the borrower and its development, as well as the estimation of the borrower’s payment capacity and the details and characteristics of the transaction.

The approval levels and limits are defined by the relevant Board of Directors’ Decision on approval levels.

Considering that the Company is in the process of voluntary liquidation, it carries out only activities related to the completion of the liquidation procedure and cannot conclude any new business relations related to the approval of new placements through finance lease.

Breakdown of the Company’s **maximum exposure to credit risk** as of 31 December 2020 and 2019, without taking into account collaterals held, is presented in the table below:

In RSD thousand

	31 December 2020	**31 December 2019**
Receivables from finance lease (Note 13)	-	3
Other receivables	422	422
Short-term deposits with banks (Note 12)	23,516	23,519
Total	**23,938**	**23,944**

As of 31 December 2020 and 2019, all finance lease receivables refer to the clients domiciled on the territory of the Republic of Serbia.

The analysis of the Company’s credit risk exposure as of **31 December 2020**, grouped by **sectors**, is presented in the table below:

In RSD thousand

	Trade and services	**Retail**	**Manufa-cturing**	**Constru-ction**	**Other**	**Total**
Retail client,						
small business	-	-	-	-	-	-
and entrepreneurs	-	-	-	-	-	-
Economy					422	422
Banks	-	-	-	-	23,516	23,516
	-	**-**	**-**	**-**	**23,938**	**23,938**

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

The analysis of the Company's credit risk exposure as of **31 December 2019**, grouped by **sectors**, is presented in the table below:

In RSD thousand

	Trade and services	Retail	Manufa-cturing	Constru-ction	Other	Total
Retail client, small business and entrepreneurs	-	-	-	3	-	3
Economy	-	-	-	-	422	422
Banks	-	-	-	-	23,519	23,519
	-	**-**	**-**	**3**	**23,941**	**23,944**

4.2. Market Risk

The Company is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes of the interest rates and foreign exchange rates.

(a) Foreign Exchange Risk

Foreign exchange risk is the risk of adverse effects on the Company's financial result and equity due to changes in foreign exchange rates.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to EUR and CHF. The Company agrees foreign currency clauses in rental contracts as protection from the foreign exchange risk, as well as daily monitoring of open position.

The management of currency risk is supplemented by monitoring the sensitivity of the Company's income statement to various foreign currency rate scenarios. The sensitivity of the income statement is the effect of the assumed changes in FX rate for one year.

An analysis of the Company's sensitivity to an increase in FX rates is as follows:

In RSD thousand

	2020	2019
Foreign exchange rate sensitivity +10% (RSD depreciation)	**3**	**132**

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2. Market Risk (Continued)

(b) Interest Rate Risk

The Company is exposed to interest rate risk in the market which can affect its financial position and cash flows.

As a result of these changes, the interest rate margin can be increased; however, the fall in interest margin or loss is also possible due to unexpected changes. The Company's interest rates are based on the market interest rates and the Company reviews them regularly.

The purpose of the risk management activities is to optimize the net interest income, and to maintain the market interest rate on a consistent level in accordance to the Company's business strategy.

The management of the Company manages maturities matching of the assets and liabilities' on the basis of: macro and micro economic estimations, estimations of the conditions for achieving liquidity, and the estimation of the interest rates' trends.

Interest rate risk management is supported by monitoring the sensitivity of the Company's income statement in terms of different scenarios of interest rate changes. The income statement sensitivity is an effect of assumed interest rate changes during a year.

The exposure to interest rate risk depends on the ratio of the interest-sensible assets and liabilities of the Company. Therefore, the Company controls the interest rate risk by monitoring the ratio of the interest-bearing assets, i.e., liabilities and the percentage thereof in the total asset, i.e., liabilities.

The Company's income statement in 2020 and 2019 was not exposed to changes in the interest rates, since the Company had no borrowings and other interest-bearing liabilities.

The following table shows the Reprising gap report, i.e. the Company's exposure to the interest rate risk as of 31 December 2020. The table includes the Company's assets and liabilities at their carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

The Reprising gap report determines the difference between interest-sensitive assets and interest-sensitive liabilities for various time intervals in the future. Based on the determined gaps, profit and equity sensitivity analysis is carried out for certain changes in market interest rates.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2. Market Risk (Continued)

(b) Interest Rate Risk (Continued)

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 to 18 months	From 18 months to 5 years	Over 5 years	Interest non-sensible	Total
ASSETS									
Cash and cash equivalents	-	-	-	-	-	-	-	56,921	56,921
Other assets and receivables	-	-	-	-	-	-	-	23,516	23,516
Receivables from finance lease	-	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-	-	1	1
Deferred tax assets	-	-	-	-	-	-	-	422	422
Other assets and receivables	-	-	-	-	-	-	-	20,457	20,457
TOTAL ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**101,317**	**101,317**
LIABILITIES AND EQUITY									
Borrowings	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	2,840	2,840
Other liabilities	-	-	-	-	-	-	-	2,563	2,563
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,403**	**5,403**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**95,914**	**95,914**
TOTAL LIABILITIES AND EQUITY	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**101,317**	**101,317**
Periodical GAP as of 31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Cumulative GAP									

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3. Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations which can have an adverse effect on the Company's financial results and equity.

The Company manages this risk by obtaining different long-term and short-term funding sources that include:

- Borrowings within Eurobank Group; and
- Permanent investments (share capital).

The Company continuously monitors liquidity risk by identifying and monitoring changes in the funding sources that are required for accomplishing business strategy of the Company.

The Company aims to provide enough sources to fulfil its obligations for payments and new business disbursement to its clients.

The Company manages the liquidity risk by constant monitoring of maturity mismatch of assets and liabilities by analysing the projected cash flows in order to enable the Company fulfilling its obligations at any moment.

The Company had no contractual financial obligations to other entities as of 31 December 2020 and 2019.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3. Liquidity Risk (Continued)

The table below analyses assets and liabilities of the Company as of 31 December 2020 into relevant maturity groupings based on the remaining period on the balance sheet date to the contractual maturity date.

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 to 18 months	From 18 months to 5 years	Over 5 years	Interest non-sensible	Total
ASSETS									
Cash and cash equivalents	56,921	-	-	-	-	-	-	-	56,921
Other assets and receivables	-	-	23,516	-	-	-	-	-	23,516
Receivables from finance lease	-	-	-	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-	-	1	1
Deferred tax assets	-	-	-	-	-	-	-	422	422
Other assets and receivables	-	-	-	-	-	-	-	20,457	20,457
TOTAL ASSETS	**56,921**	**-**	**23,516**	**-**	**-**	**-**	**-**	**20,880**	**101,317**
LIABILITIES AND EQUITY									
Borrowings	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	2,840	2,840
Other liabilities	-	736	-	-	-	-	-	1,827	2,563
Total liabilities	**-**	**736**	**-**	**-**	**-**	**-**	**-**	**4,667**	**5,403**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**95,914**	**95,914**
TOTAL LIABILITIES AND EQUITY	**-**	**736**	**-**	**-**	**-**	**-**	**-**	**100,581**	**101,317**
Maturity mismatch as of:									
- 31 December 2020	**56,921**	**(736)**	**23,516**	**-**	**-**	**-**	**-**	**(79,701)**	
- 31 December 2019	**65,509**	**(2,282)**	**23,519**	**-**	**-**	**-**	**-**	**(86,746)**	

The Maturity mismatch report as of 31 December 2020 indicates the high level of liquidity, especially in the period up to 1 month, and thereafter in the period from 3 to 6 months, while the slight maturity mismatch is present in the period from 1 to 3 months.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.4. Operational Risk

Operational risk is the risk of adverse effects on the Company's financial result and equity due to failures in performance of operating activities, human mistakes, system errors and external factors influence.

The function of operational risk management process is to identify, assess, control and minimise the possibility of occurrence and effect of operational risks and net losses. The Company cannot eliminate all operational risks, but it is able to identify, through the processes of recording and analysing the operational risks, the failures in its processes, products and procedures the Company is able to decrease frequency as well as the negative influence of operational losses on its business and profitability. An important aspect of the operative risk management is updating the management on significant operative risks in a timely manner, as well as permanent education of all employees involved in the process of collecting data on operational risks and comprehensive awareness development on the importance of identification, measurement, control and mitigation of operational risks.

Operational risks are traced through the "Red B" application. Recording of identified events that cause the Company's operational risks is performed by an operational risk monitoring coordinator. All situations that may result in some kind of loss are entered into the application (e.g., initiated litigations, engagement of agencies for the repossession of the subjects of lease, etc.). The Company harmonized its policies and procedures with the new legislation relating to risk management defined by the Law on Finance Lease. The Company defined the system of internal controls in a manner that enables continued identification, measurement and assessment of risks which may have an adverse impact on its operations. The foregoing particularly relates to the credit risk, market risk, liquidity risk, compliance risk, risk of exposure (concentration) and operational risk. The Company has prescribed by its by-laws the procedures for risk identification, measurement and assessment, as well as risk management, in accordance with the regulations, standards and profession rules.

4.5. Capital Management

The Company's objective when managing capital is to maintain its ability to conduct business operations for an unlimited period of time in the foreseeable future, so as to ensure the returns (profit) to the owners, and benefits to other interest parties, and to preserve an optimal capital structure with the aim of reducing capital expenses. In order to maintain or adjust the capital structure, the Company may consider the following options: to adjust the amount of dividends paid to shareholders, to return capital to shareholders, to issue new shares or to sell assets to reduce debts. The Company's strategy in respect of capital risk management has remained unchanged from the previous year.

In accordance with the Law on Finance Lease ("RS Official Gazette", no. 55/2003, 61/2005, 31/2011 and 99/2011), for the performance of finance lease transactions the object of which is a movable good, the pecuniary portion of the initial capital of the Company cannot be lower than the dinar equivalent of EUR 500,000 at the official middle exchange rate of the National Bank of Serbia as at the payment date. For the performance of finance lease transactions the object of which is an immovable good, the pecuniary portion of the initial capital of the lessor cannot be lower than the dinar equivalent of EUR 5,000,000 at the official middle exchange rate as at the payment date. The lessor is obliged to ensure that the pecuniary portion of the initial capital is always in an amount that is not lower than the amounts specified in the above paragraph, according to the official middle exchange rate as of the calculation day, depending on the leased assets.

As of 31 December 2020, the Company's share capital is above the prescribed minimum for the performance of finance lease transactions the object of which is a movable good.

5. INTEREST INCOME

	In RSD thousand For the Year Ended 31 December 2020	2019
Interest income from deposits (Note 21)	156	178
Total	**156**	**178**

6. NET FOREIGN EXCHANGE LOSSES AND EFFECTS OF FOREIGN CURRENCY CLAUSE

	In RSD thousand For the Year Ended 31 December 2020	2019
Net exchange gains and positive effects of foreign currency clause	24	67
Total gains	**24**	**67**
Net exchange gains and positive effects of foreign currency clause	(27)	(193)
Total losses	**(27)**	**(193)**
Net losses	**(3)**	**(126)**

7. OTHER OPERATING INCOME

	In RSD thousand For the Year Ended 31 December 2020	2019
Gains from sale of repossessed assets	-	186
Other revenues	252	1
Total	**252**	**187**

8. SALARIES AND OTHER PERSONNEL COSTS

	In RSD thousand For the Year Ended 31 December	
	2020	**2019**
Net salaries	4,900	4,820
Payroll taxes and contributions paid by the employer	703	701
Other personnel costs	36	36
Total	**5,639**	**5,557**

9. OTHER EXPENSES

	In RSD thousand For the Year Ended 31 December	
	2020	**2019**
Legal costs	301	670
Rent of office space (Note 21)	184	184
Maintenance	888	870
Provision for litigations	-	536
Court fees	46	157
Administration taxes and communal services	37	25
Petrol costs	-	15
Insurance premiums	10	40
Consultancy services	1,022	-
Other expenses	912	928
Total	**3,400**	**3,425**

10. INCOME TAXES

Due to incurred losses for the years ended 31 December 2020 and 2019, in accordance with the effective tax regulations, the Company did not calculate and report current and deferred income taxes.

Numerical Reconciliation of Income Tax Expense and Loss before Tax Multiplied by the Statutory Income Tax Rate

	In RSD thousand For the Year Ended 31 December 2020	2019
Loss before tax	**(8,658)**	**(8,543)**
Income tax at statutory rate of 15%	**(1,299)**	**(1,281)**
Tax effects of expenses not deductible for tax purposes	1,299	1,281
Losses carried forward	-	-
Deferred tax effects	-	-
Income tax expense	**-**	**-**

11. CASH AND CASH EQUIVALENTS

	In RSD thousand 31 December 2020	31 December 2019
Current accounts:		
- in RSD	56,889	65,478
- in foreign currency	32	31
Balance as of	**56,921**	**65,509**

During 2020 and 2019, the Company performed payment and settlement transactions in domestic and foreign currency through its accounts held with Eurobank a.d. Belgrade.

12. SHORT-TERM FINANCIAL PLACEMENTS

Other financial investments and derivatives at 31 December 2020 amounted to RSD 23,516 thousand (31 December 2019: RSD 23,519 thousand) and completely relate to short-term deposits placed with the shareholder - Eurobank a.d. Belgrade.

13. RECEIVABLES FROM FINANCE LEASE ACTIVITIES

	31 December 2020	31 December 2019
		In RSD thousand
Minimal finance lease payments	-	-
Minus: Accrued interest rate	-	-
	-	-
Overdue finance lease placements	-	-
Other receivables from finance lease activities	840	843
Gross finance lease receivables	**840**	**843**
Less: Allowance for impairment	(840)	(840)
Balance as of	**-**	**3**

The Company did not enter into new finance lease contacts during 2020 and 2019.

As of 31 December 2020 the Company had no active finance lease contracts.

Other Receivables from Finance Lease

	31 December 2020	31 December 2019
		In RSD thousand
Receivables for re-invoiced expenses	837	840
Other	3	3
Gross other receivables	**840**	**843**
Less: Allowance for impairment	(840)	(840)
Balance as of	**-**	**3**

14. REPOSSESSED ASSETS AND ADVANCES

As of 31 December 2020 and 2019, the Company had no finance lease assets repossessed in exchange of uncollectible receivables that are intended for the further selling.

15. OTHER ASSETS

	In RSD thousand 31 December 2020	31 December 2019
Refund receivables	578	578
Claims arising from insurance costs	100	100
Receivables for VAT	20,457	19,971
Other receivables	130	139
Gross receivables	**21,265**	**20,788**
Less: Allowance for impairment	(808)	(808)
Balance as of	**20,457**	**19,980**

16. BORROWINGS

In January 2018 all credit lines approved by ERB New Europen Funding B.V. Amsterdam, Netherlands, for the purpose of financing the Company's lease activities, were repaid.

As of 31 December 2020 and 2019, the Company had no loans in use.

17. PROVISIONS

	In RSD thousand 31 December 2020	31 December 2019
Provisions for retirement benefits	1,935	1,935
Provision for litigations (Note 20(b))	905	905
Balance as of	**2,840**	**2,840**

18. OTHER LIABILITIES

In RSD thousand

	31 December 2020	31 December 2019
Accrued audit expenses	529	94
Liabilities for letters of guaranties (Note 21)	1,827	1,827
Other liabilities	207	361
Balance as of	**2,563**	**2,282**

19. SHARE CAPITAL

Share capital of the Company is formed by the initial shareholders' payments and subsequent share issues. Nominal value of one share is RSD 100,000.

As of 31 December 2020 the pecuniary portion of the Company's share capital is in line with the requirement of the Law on Finance Lease (minimum EUR 500,000).

On 4 May 2017, the General Meeting of the Company passed the Decision on the increase of the share capital by issuing the fourth issue of ordinary shares without a public offering. 380 shares were issued, with a nominal value of RSD 100 thousand per share, i.e., a total value of RSD 38,000 thousand. In this way, there was an increase in the equity investment of the existing shareholder Eurobank a.d. Belgrade from 25.56% to 49.49%, as can be seen from the following tables.

The Company's share capital structure at 31 December 2020 and 31 December 2019 is presented in the following table:

	Number of shares	Amount of share capital in RSD 000	Interest in %	Number of votes
Eurobank a.d. Belgrade	585	58,500	49.49	49
ERB New Europe Holding B.V. Amsterdam, Netherlands	390	39,000	32.99	33
Eurobank Ergasias S.A. Athens, Greece	207	20,700	17.52	18
Total	**1,182**	**118,200**	**100.00**	**100**

20. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Operating Lease Commitments

The Company has entered into commercial operating leases on certain business premises in accordance with lease agreements.

As of 31 December 2020, the Company did not have commitments under the lease of business premises.

(b) Litigations

As of 31 December 2020, the Company acts as a defendant in 3(three) court cases. The total value of potential damage claim amounts to RSD 80,388 thousand (31 December 2019: RSD 80,584 thousand), excluding penalty interests that may arise with respect thereto.

From the aforementioned total value of the litigation claims, the most significant amount of RSD 63,581 thousand is related to the lawsuit filed by "GT COOP" d.o.o. Belgrade, which was filed against the Company in December 2017. The management of the Company considers that this claim is entirely legally unfounded.

As of 31 December 2020 the Company recognized the amount of RSD 905 thousand (31 December 2019: RSD 905 thousand) for potential losses that might arise as a result of the aforementioned legal claims.

The Company's management considers that no material liabilities will arise as a result of the remaining legal proceedings still in course, other than those provided for.

(c) Tax Risks

Tax system in the Republic of Serbia is undergoing continuous amendments. Tax period in the Republic of Serbia is considered to be open in the five-year period. In different circumstances, tax authorities could have different approach to some issues, and could detect additional tax liabilities together with related penalty interest and fines. The Company's management believes that tax liabilities stated in the accompanying financial statements are fairly presented.

21. RELATED PARTY DISCLOSURES

In the ordinary course of business the Company enters into business transactions with its shareholders and other related parties.

The Company is a subsidiary of Eurobank Group. The related legal entities of the Company are shareholders (Note 19) and other legal entities from the Eurobank Group.

Transaction with the related parties, i.e. outstanding balances of receivables and liabilities as of 31 December 2020, as well as income and expenses earned/incurred during the year then ended are presented as follows:

In RSD thousand

	Eurobank a.d. Belgrade	Eurobank Ergasias S.A. Athens
Receivables		
Cash and cash equivalents (Note 11)	56,921	-
Short-term financial placements (Note 12)	23,516	-
	80,437	**-**
Liabilities		
Liabilities for letters of guaranties (Note 18)	-	1,827
	-	**1,827**
Income		
Interest income (Note 5)	156	-
	156	**-**
Expenses		
Services	51	-
Fees and commissions	26	-
Rent of office space (Note 9)	184	-
	261	**-**

21. RELATED PARTY DISCLOSURES (Continued)

Transaction with the related parties, i.e. outstanding balances of receivables and liabilities as of 31 December 2019, as well as income and expenses earned/incurred during the year then ended are presented as follows:

In RSD thousand

	Eurobank a.d. Belgrade	Eurobank Ergasias S.A. Athens
Receivables		
Cash and cash equivalents (Note 11)	65,509	-
Short-term financial placements (Note 12)	23,519	-
	89,028	**-**
Liabilities		
Liabilities for letters of guaranties (Note 18)	-	1,827
	-	**1,827**
Income		
Interest income (Note 5)	178	-
	178	**-**
Expenses		
Services	66	-
Fees and commissions	28	-
Rent of office space (Note 9)	184	-
	278	**-**

22. BUSINESS IMPACT OF THE COVID-19 PANDEMIC

A major challenge in 2020 is the coronavirus (Covid-19) outbreak, whose expansion worldwide has a negative impact in the global economy. Countries worldwide-and the Republic of Serbia among them have taken measures to contain the virus' expansion (for example restriction in traveling, sanitary measures, vaccination), and cushion the shock on both economic supply and demand via fiscal measures and government benefits.

The baseline scenario that the expansion of the coronavirus globally, across the EU and in Serbia will be contained and gradually slow down (as is already the case in China) by the end of the first half of 2020, did not materialise. Consequently, the outbreak had a notable negative economic impact on the entire year 2020, with a tendency for such effects to continue until the end of the third quarter of 2021.

In 2020, the Company's management took all necessary measures based on the recommendations of the Ministry of Health and the Government of the Republic of Serbia and continuously followed all the activities and measures defined by the competent state bodies.

22. BUSINESS IMPACT OF THE COVID-19 PANDEMIC (Continued)

On 20 March 2020 the Government of the Republic of Serbia adopted the first set of tax measures, namely the Decree on Tax Measures during the State of Emergency, in order to mitigate the economic consequences caused by the Covid-19 outbreak, while on 10 April 2020, the Program of Economic Measures to Reduce negative effects caused by the Covid-19 virus pandemic and support for the Serbian economy was adopted.

In order to preserve the stability of the financial system, the National Bank of Serbia offered to debtors a moratorium option, i.e. a deadlock in the repayment of their obligations. The users of finance lease placements were given the opportunity to use the moratorium at the beginning, as well as at the end of 2020. The Company did not offer the moratorium option to its customers, given that in 2020 it did not have active finance lease contracts, nor did it enter into new finance lease agreements during the year.

The effects of the crisis caused by the Covid-19 virus pandemic did not affect the Company's operations in 2020, nor are their effects on the Company's future operations expected, considering that the Company is in the process of voluntary liquidation, which is expected to end in 2021.

23. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after the reporting period, which would have significant impact on the financial statements of the Company as of and for the year ended 31 December 2020 and require disclosure in the notes to the accompanying financial statements.

Belgrade, 23 April 2021

Vladan Miljanovic

Legal Representative

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