

**MICROCREDIT FINANCIAL INSTITUTION
ALTER MODUS DOO, PODGORICA**

**Financial Statements
For the year ended December 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

TO THE OWNERS OF MICROCREDIT FINANCIAL INSTITUTION ALTER MODUS DOO, PODGORICA

We have audited the accompanying financial statements of Microcredit Financial Institution Alter Modus d.o.o., Podgorica (hereinafter: the Company), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing applicable in Montenegro. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



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Other matters

The financial statements of the Company for the year ended 31 December 2015 were audited by another auditor whose report dated 29 March 2016 expressed an unqualified opinion.

Podgorica, 13 April 2017

Ernst & Young Montenegro d.o.o.
Ernst & Young Montenegro d.o.o.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016**
(In thousand of EUR)

	Notes	Year ended December 31, 2016	Restated Year ended December 31, 2015
Interest income	3.1	7,562	5,967
Interest expense	3.1	(1,598)	(1,040)
NET INTEREST INCOME		5,964	4,927
Impairment Losses	3.7	(410)	(93)
Fee and commission income	3.1	30	14
Fee and commission expense	3.1	(64)	(117)
NET FEE AND COMMISSION INCOME		(34)	(103)
Personnel expenses	5	(2,104)	(2,145)
General and administrative expenses	6	(844)	(726)
Depreciation		(155)	(142)
Other expenses	7	(24)	(18)
Other income	8	139	230
INCOME BEFORE TAX		2,532	1,930
Income taxes	3.4, 9	(228)	(174)
INCOME FOR THE YEAR		2,304	1,756
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		2,304	1,756

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

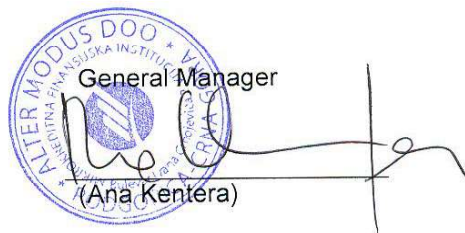
Podgorica, February 15, 2017

Signed on behalf of MFI Alter Modus DOO, Podgorica by:

Finance Manager


(Anastasija Boljević)

General Manager


(Ana Kentera)

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
(In thousand of EUR)

	Notes	December 31, 2016	Restated December 31, 2015
ASSETS			
Cash and cash equivalents	3.7, 10	3,017	791
Loans to clients	3.7, 11	37,064	31,336
Property and equipment	3.6, 12	460	520
Intangible assets	3.5, 12	45	26
Other assets	13	68	80
Total assets		40,654	32,753
LIABILITIES			
Borrowed funds	14	27,588	21,761
Other liabilities		305	272
Total liabilities		27,893	22,033
EQUITY			
Issued capital	15	8,161	8,161
Retained earnings		4,600	2,559
Total equity		12,761	10,720
Total liabilities and equity		40,654	32,753

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

Podgorica, February 15, 2017

Signed on behalf of MFI Alter Modus DOO, Podgorica by:

Finance Manager

(Anastasija Boljević)

General Manager

(Ana Kentera)



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016**
(In thousand of EUR)

	Issued capital	Retained Earnings	Total
Balance as of January 1, 2015	4,716	4,314	9,030
Transfer of Retained Earnings to Issued capital	3,168	(3,168)	-
Dividend payment	-	(343)	(343)
Transfer of conditional donation to Issued capital	277	-	277
Net profit for the period	-	1,756	1,756
Balance as of December 31, 2015	8,161	2,559	10,720
Balance as of January 1, 2016	8,161	2,559	10,720
Dividend payment	-	(263)	(263)
Net profit for the year	-	2,304	2,304
Balance as of December 31, 2016	8,161	4,600	12,761

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

Podgorica, February 15, 2017

Signed on behalf of MFI Alter Modus DOO, Podgorica by:

Finance Manager

(Anastasija Boljević)

General Manager

(Ana Kentera)



STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2016
(In thousand of EUR)

	Year ended December 31, 2016	Year ended December 31, 2015
Cash flows from operating activities		
Interest receipts	7,244	5,607
Payments of interest	(1,420)	(978)
Fees and commissions received	318	225
Payments of fees and commissions	(186)	(117)
Inflows from the repayment of borrowings	31,869	20,604
Cash used for loans approved	(37,948)	(30,941)
Payments to suppliers and employees	(2,969)	(3,001)
Payments of income taxes	(174)	(114)
Inflows from the recovery of bad debts	92	207
Other Payments	(115)	40
Net cash generated from operating activities	(3,289)	(8,468)
Cash flows from investing activities		
Inflow from the disposal of equipment	9	63
Cash used to purchase equipment	(53)	(150)
Net cash used in investing activities	(44)	(87)
Cash flows from financing activities		
Cash provided by long-term borrowings	13,900	11,250
Repayments of long-term borrowings	(8,078)	(2,151)
Dividends	(263)	(343)
Net cash from financing activities	5,551	8,756
Net decrease in cash and cash equivalents	2,226	201
Cash and cash equivalents at the beginning of the year	791	590
Cash and cash equivalents at the end of the year	3,017	791

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

Podgorica, February 15, 2017

Signed on behalf of MFI Alter Modus DOO, Podgorica by:

Finance Manager



(Anastasija Boljević)



General Manager

(Ana Kentera)