

**MICROCREDIT FINANCIAL INSTITUTION
ALTER MODUS D.O.O., PODGORICA**

**Financial Statements
For the year ended December 31, 2017**

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017	3
STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2017	4
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD YEAR DECEMBER 31, 2017	5
STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2017	6
NOTES TO FINANCIAL STATEMENTS	7-35
MANAGEMENT REPORT FOR 2017	

INDEPENDENT AUDITOR'S REPORT

TO THE OWNERS OF MICROCREDIT FINANCIAL INSTITUTION ALTER MODUS D.O.O., 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 2017, 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 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We have reviewed the annual management report of the Company. Management is responsible for the preparation of the annual business report in accordance with the legal requirements of Montenegro. Our responsibility is to assess whether the annual management report is consistent with the annual financial statements for the same financial year. Our work regarding the annual management report has been restricted to assessing whether the accounting information presented in the annual business report is consistent with the annual financial statements and did not include reviewing other information contained in the annual management report originating from non-audited financial or other records. In our opinion, the accounting information presented in the annual management report is consistent, in all material respects, with the financial statements of the Company for the year ended 31 December 2017.

Podgorica, 20 March 2018

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(In thousand of EUR)

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
Interest income	3.1	8,615	7,562
Interest expense	3.1	(1,658)	(1,598)
NET INTEREST INCOME		6,957	5,964
Impairment losses	3.7	(510)	(410)
Fee and commission income	3.1	34	30
Fee and commission expense	3.1	(120)	(64)
NET FEE AND COMMISSION INCOME		(86)	(34)
Personnel expenses	5	(2,345)	(2,104)
General and administrative expenses	6	(906)	(844)
Depreciation and amortization	12	(134)	(155)
Other expenses	7	(55)	(24)
Other income	8	162	139
INCOME BEFORE TAX		3,083	2,532
Income taxes	3.4, 9	(277)	(228)
INCOME FOR THE YEAR		2,806	2,304
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		2,806	2,304

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

Podgorica, February 15, 2018

Signed on behalf of MFI Alter Modus D.O.O., Podgorica by:

Finance Manager

(Anastasija Boljević)



General Manager

(Ana Kentera)

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
(In thousand of EUR)

	Notes	December 31, 2017	December 31, 2016
ASSETS			
Cash and cash equivalents	3.7, 10	2,789	3,017
Loans to clients	3.7, 11	42,422	37,064
Property and equipment	3.6, 12	449	460
Intangible assets	3.5, 12	40	45
Other assets	13	169	68
Total assets		45,869	40,654
LIABILITIES			
Borrowed funds	14	30,207	27,588
Other liabilities	15	441	305
Total liabilities		30,648	27,893
EQUITY			
Issued capital	16	8,161	8,161
Retained earnings		7,060	4,600
Total equity		15,221	12,761
Total liabilities and equity		45,869	40,654

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

Podgorica, February 15, 2018

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, 2017
(In thousand of EUR)**

	Issued capital	Retained Earnings	Total
Balance as of January 1, 2016	8,161	2,559	10,720
Dividend payment	-	(263)	(263)
Net profit for the period	-	2,304	2,304
Balance as of December 31, 2016	8,161	4,600	12,761
Balance as of January 1, 2017	8,161	4,600	12,761
Dividend payment	-	(346)	(346)
Net profit for the year	-	2,806	2,806
Balance as of December 31, 2017	8,161	7,060	15,221

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

Podgorica, February 15, 2018

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, 2017
(In thousand of EUR)

	Year ended December 31, 2017	Year ended December 31, 2016
Cash flows from operating activities		
Interest receipts	8,310	7,244
Payments of interest	(1,534)	(1,420)
Fees and commissions received	401	318
Payments of fees and commissions	(261)	(186)
Inflows from the repayment of loans	36,710	31,869
Cash used for loans approved	(42,755)	(37,948)
Payments to suppliers and employees	(3,179)	(2,969)
Payments of income taxes	(228)	(174)
Inflows from the recovery of bad debts	114	92
Other Payments	(54)	(115)
Net cash used from operating activities	(2,476)	(3,289)
Cash flows from investing activities		
Inflow from the disposal of equipment	-	9
Cash used to purchase equipment	(86)	(53)
Net cash used in investing activities	(86)	(44)
Cash flows from financing activities		
Cash provided by long-term borrowings	13,750	13,900
Repayments of long-term borrowings	(11,071)	(8,078)
Dividend payment	(346)	(263)
Net cash generated from financing activities	2,333	5,559
Net (decrease)/increase in cash and cash equivalents	(229)	2,226
Cash and cash equivalents at the beginning of the year	3,017	791
Cash and cash equivalents at the end of the year	2,788	3,017

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

Podgorica, February 15, 2018

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

Finance Manager



(Anastasija Boljević)

General Manager



(Ana Kentera)