

**ALTER MODUS DOO**

**FINANCIAL STATEMENTS FOR THE YEAR**

**ENDED ON DECEMBER 31, 2021**

**INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

*This is English translation of the Report  
originally issued in Montenegrin language  
(For management purposes only)*

*To the Owners of Microcredit Financial Institution Alter Modus doo, Podgorica, Montenegro*

### Report on the audit of financial statements

#### Opinion

We have audited the financial statements of Microcredit Financial Institution Alter Modus d.o.o., Podgorica (hereinafter: the Company), which comprise the statement of financial position as of December 31, 2021, and the income statement, statement of changes in equity and statement of cash flow for the year then ended, including a summary of significant accounting policies and notes to the financial statements.

In our opinion, the financial statements give a true and fair view in all significant material aspects of the financial position of the Company as of December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs by IFAC). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of financial statements* section of our report. We are independent of the Company in accordance with the *ethical requirements* relevant for our audit of financial statements in Montenegro and we have fulfilled our other ethical responsibilities in accordance with these requirements (*The International Code of Ethics for Professional Accountants - IFAC, The Institute of Certified Accountants of Montenegro/Serbian Association of Accountants and Auditors, 2018, official binding version in Serbian language*). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and true and fair presentation of these financial statements and annual management report 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.

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 established by the Company.



**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 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 aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We have communicated 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.

Podgorica, March 17, 2022

  
Goran B. Strahinja, CPA, MA, BA  
CEO, Principal – Partner  
MNA Montenegro Audit Group d.o.o., Podgorica





## **REPORT ON THE ANNUAL REPORT OF MANAGEMENT 2021**

Our opinion on the financial statements does not include the annual management report for 2021.

In relation to the audit of these financial statements, it is our responsibility to read the annual management report and thus consider whether the annual management report in material aspects-items is consistent with the information in the financial statements, with our knowledge gained during the audit, or appears to be, in material terms, misrepresented.

In accordance with the requirements of the Law on Accounting of Montenegro, we are also obliged to give an opinion on whether the annual management report is prepared in accordance with the Law on Accounting of Montenegro, and consistent with the information contained in the financial statements.

Based on the procedures conducted during the audit, in our opinion, the annual management report is:

- compiled in accordance with the Law on Accounting of Montenegro, and
- consistent with the information contained in the financial statements.

Additionally, based on the knowledge about the company's operations and its business environment, acquired during the audit, we did not notice any material misstatements in the annual management report.

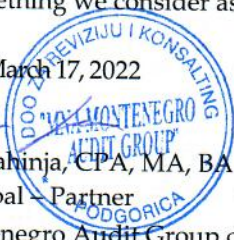
Significant characteristics of management report in 2021:

- In the 2021 Alter Modus management report, information intended for internal and external users of information is specifically designed for the needs of top management and medium and lower levels of management of the Company.
- The management report provides additional opportunities for insight into the business and performance of Alter Modus in 2021 with a look at business perspectives and business development continuity in 2022 based on the accounting assumption of going concern.
- The report presents business information for various needs of external users of financial information, especially from the point of view of implementation of business and operational strategy of the Company and the requirements of monitoring business processes.
- The management report 2021 provides significant information support for close monitoring of business performance and the ability to anticipate performance of future business operations.
- The information contained in the management report 2021 is effectively related to the data, presented graphically, containing significant elements of integrated reporting, something we consider as a valuable step forward.

Podgorica, March 17, 2022

  
Goran B. Strahinja, CPA, MA, BA  
CEO, Principal – Partner

MNA Montenegro Audit Group d.o.o., Podgorica





## IMPACT OF THE CORONAVIRUS (COVID-19) PANDEMIC ON FINANCIAL STATEMENTS AND DISCLOSURES IN 2021

Based on the *Guidance for Auditors During Coronavirus Pandemic* (<https://www.iaasb.org/focus-areas/guidance-auditors-during-coronavirus-pandemic>, accessed: March 15, 2022), and the new practices of financial reporting and auditing in European Union *Coronavirus Resources for European Accountants*, <https://www.accountancyeurope.eu/professional-matters/covid-19-resources-for-european-accountants/> accessed: March 15, 2022), Montenegro Audit Group d.o.o. Podgorica is deeply aware of and accepts the knowledge about the significant and far-reaching negative consequences and effects of Covid-19 on the business of client's Company and our auditing firm which from reporting year 2020 were continued and lasted throughout the fiscal 2021. Previous facts are reflected significantly on the operations of our clients' Company, on citizens, the public sector and on our audit firm.

In this sense, even though there was no precise and binding regulatory reaction in Montenegro and EU during 2021 in the sphere of statutory financial reporting and external auditing, guidelines and standards, national and international, precisely because developments are ongoing in real time in the second year of the pandemic, and in accordance with our knowledge and experience we have made significant preparations to safeguard and upkeep the quality of the audit reporting process.

Our goal is to be able to continue to help and assist our audit clients to the extent that this is permitted and acceptable according to the regulations in Montenegro and international accounting and auditing standards according to the practice in Montenegro and new experiences globally. For us this is a new and unconquered territory, a challenge, but we are entering that area responsibly and bravely.



In this context, especially important are the aspects of the financial reporting framework of firms based on the accounting concept of going concern (assessment of future effects of the pandemic on the business continuity concept, e.g. Going Concern), on the imparity of assets, on bank loans and guarantees, on specific risks of the loan portfolio, and allowances for the type of institution such as Alter Modus doo, Podgorica and many other related aspects of financial reporting. This implies considering the client's management's assessments of the future prospects of the company, and their quantification. Our obligations are in the area of subsequent assessment of the effects of risk and materiality, i.e. reflection on the true and fair view in the audit report, to the extent that this is realistic in the given emphatically limiting circumstances in 2021 with the development of the crisis economic situation without our capacity to safely forecast the development and dynamics of the economic crisis. All this is completely new for us as well as it was in 2020.

The basic postulates of the auditing profession, above all conservatism, scepticism, approach with due care, oblige us to increase awareness of these issues. We believe that this is the best way to respond not only to those obligations that are already known at this moment, but also to those that we rightly expect to arise and to be urgent in 2022.

Teleworking, working from home, hybrid office work, new ways of organizing the business of clients and auditors require us to focus on obtaining satisfactory audit evidence, to consider the consequences or effects of subsequent events after the balance sheet date, to continuously

improve the quality of our reporting and communication with clients and interested users of information from financial and audit reports. In all of this, it is credible for us, although not legally binding in Montenegro, but for us it is a reference and applicable source of information published by the Committee of Europe on Audit Supervisors (CEAOB) ([https://ec.europa.eu/info/business-economy-euro/banking-and-finance/regulatory-process-financial-services/expert-groups-commitology-and-other-committees/committee-european-auditing-oversight-bodies\\_en#:~:text=The%20CEAOB%20is%20the%20new,effect%20on%2017%20June%202016](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/regulatory-process-financial-services/expert-groups-commitology-and-other-committees/committee-european-auditing-oversight-bodies_en#:~:text=The%20CEAOB%20is%20the%20new,effect%20on%2017%20June%202016)). Accessed: March 15, 2022.

Podgorica, March 17, 2022



Goran B. Strahinja, CPA, MA, BA  
CEO, Principal – Partner  
MNA Montenegro Audit Group d.o.o., Podgorica



**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
DECEMBER 31, 2021 (In thousands of EUR)**

	Notes	December 31, 2021	Year ended December 31, 2020
Interest income	3.1	7,881	9,675
Interest expense	3.1	(1,259)	(1,389)
<b>NET INTEREST INCOME</b>		<b>6,622</b>	<b>8,286</b>
Impairment losses	3.7	832	(2,958)
Fee and commission income	3.1	3	3
Fee and commission expense	3.1	(59)	(51)
<b>NET FEE AND COMMISSION INCOME</b>		<b>(56)</b>	<b>(48)</b>
Personnel expenses	5	(2,799)	(2,756)
General and administrative expenses	6	(734)	(734)
Depreciation and amortization	12	(451)	(454)
Other expenses	7	(115)	(63)
Other income	8	281	220
<b>PROFIT BEFORE TAX</b>		<b>3,580</b>	<b>1,493</b>
Income taxes	3.4, 9	(326)	(134)
<b>PROFIT FOR THE YEAR</b>		<b>3,254</b>	<b>1,359</b>
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>3,254</b>	<b>1,359</b>

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

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

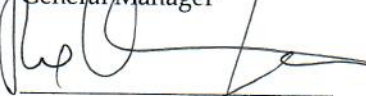
Finance Sector Manager



(Branko Tadić)



General Manager



(Ana Kentera)



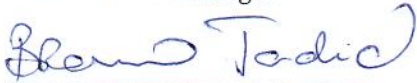
**STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2021**  
**(In thousands of EUR)**

	Notes	December 31, 2021	December 31, 2020
<b>ASSETS</b>			
Cash and cash equivalents	3.7, 10	13,478	17,346
Loans to clients	3.7, 11	37,788	40,110
Property and equipment	3.6, 12	1,769	1,421
Intangible assets	3.5, 12	23	19
Other assets	13	101	52
<b>Total assets</b>		<b>53,159</b>	<b>58,948</b>
<b>LIABILITIES</b>			
Borrowed funds	14	25,657	34,797
Other liabilities	15	1,890	1,249
<b>Total liabilities</b>		<b>27,547</b>	<b>36,046</b>
<b>EQUITY</b>			
Issued capital	16	22,358	16,758
Retained earnings		3,254	6,144
<b>Total equity</b>		<b>25,612</b>	<b>22,902</b>
<b>Total liabilities and equity</b>		<b>53,159</b>	<b>58,948</b>

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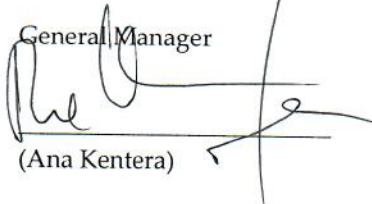
Finance Sector Manager



(Branko Tadić)



General Manager



(Ana Kentera)

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021 (In thousands of EUR)**

	<u>Issued capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance as of January 1, 2020	12,415	9,127	21,542
Dividend payment	-	-	-
Transfer from retained earnings to capital	4,343	(4,343)	-
Net profit for the year	-	1,359	1,360
	<u>16,758</u>	<u>6,144</u>	<u>22,902</u>
Balance as of January 1, 2021	16,758	6,144	22,902
Dividend payment	-	(544)	(544)
Transfer from retained earnings to capital	5,600	(5,600)	-
Net profit for the year	-	3,254	3,254
<b>Balance as of December 31, 2021</b>	<u>22,358</u>	<u>3,254</u>	<u>25,612</u>

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

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

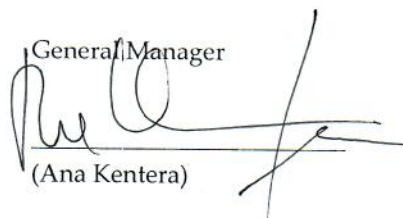
Finance Sector Manager



(Branko Tadić)



General Manager



(Ana Kentera)



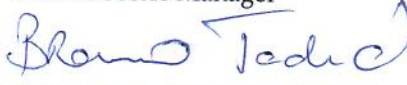
**STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(In thousands of EUR)**

	Year ended December 31, 2021	Year ended December 31, 2020
<b>Cash flows from operating activities</b>		
Interest receipts	8,589	8,061
Payments of interest	(1,187)	(1,154)
Fees and commissions received	143	362
Payments of fees and commissions	(175)	(172)
Inflows from the repayment of loans	33,735	29,576
Cash used for loans approved	(31,291)	(23,430)
Payments to suppliers and employees	(3,508)	(3,743)
Payments of income taxes	(131)	(395)
Inflows from the recovery of bad debts	215	170
Other Payments	(85)	1
<b>Net cash used from operating activities</b>	<b>6,305</b>	<b>9,276</b>
<b>Cash flows from investing activities</b>		
Inflow from the disposal of equipment	-	2
Cash used to purchase equipment	(114)	(47)
<b>Net cash used in investing activities</b>	<b>(114)</b>	<b>(45)</b>
<b>Cash flows from financing activities</b>		
Cash provided by long-term borrowings	4,000	22,500
Repayments of long-term borrowings	(13,109)	(15,613)
Payment of lease liabilities	(406)	(390)
Dividend payment	(544)	-
<b>Net cash generated from financing activities</b>	<b>(10,059)</b>	<b>6,497</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,867)</b>	<b>15,728</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>17,346</b>	<b>1,618</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>13,478</b>	<b>17,346</b>

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

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

Finance Sector Manager



(Branko Tadić)



General Manager



(Ana Kentera)